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THE PHONOGRAPH RECORD INDUSTRY; AN ECONOMIC STUDY



by

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The Phonograph Record Industry; An Economic Study

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THE PHONOGRAPH RECORD INDUSTRY; AN ECONOMIC STUDY

Introduction

The phonograph record industry is one of the most intricate and fascinating in the American economy. Although not one of the nation's largest industries, it, nevertheless, has assumed a major role in the world of music, entertainment, and communication. Its product has an almost universal audience - embracing both those who buy records and those who listen to recordings on radio and juke boxes - and its annual sales now exceed half a billion dollars. Within both its manufacturing and distribution levels there is a complex pattern of different industrial segments, interwoven in function and often in ownership. Further, the special economic nature of the phonograph record has produced several overlapping markets characterized by a number of controversial trade practices.

The phonograph record industry has been defined as including those establishments primarily engaged in manufacturing phonograph records. Phonograph records are, in fact, the only significant product of these manufacturers. These records include not only the familiar disc records, but also electrical transcriptions, prerecorded tapes, and record blanks. However, this study is restricted to the more important disc records, which in 1958 accounted for some ninety percent of the value of record shipments. Phonographic equipment, including phonographs and tape recorders, are also beyond the scope of this report.

In 1958 manufacturers in the phonograph record industry accounted for 97.7% of the value of shipments of phonograph records. Such industries as the office machines industry, which accounted for the remainder, are not

considered in this study. However, this report does define the phonograph record industry as embracing not only record manufacturing, but also all stages in the progression of phonograph records from the author and composer to the retail outlet. Restricted to domestic aspects, this study is designed to discuss the economic characteristics of both record production and record marketing. It is, thus, intended as an economic survey of this industry - comprehensive in scope, but limited in its coverage of each aspect.

Despite the importance and complexity of the phonograph record industry, there is an absence of authoritative studies in this area. Existing literature, used as source material, deals only with limited aspects or occurrences in the industry, tending to give emphases in this report which might not otherwise be present. For instance, economic information in the field is directed primarily at popular music and the popular artist, at the latest hit 45 rpm record rather than the classical LP. Further, the emphasis is on musical compositions rather than recordings of the spoken word. However, as noted below, the spoken word is considered here as a type of music and comprises less than five percent of recent record releases.

This report is based, with few exceptions, on material published prior to 1964. Particular use has been made of the weekly periodical, Billboard.

History

Chronology

- 1877 The phonograph, regarded initially as a dictating device, was
invented by Thomas A. Edison.
- 1886 The wax cylinder record was invented by Alexander Graham Bell,
Chichester A. Bell, and Sumner Tainter.
- 1887 The disc record and the Gramophone were invented by Emil
Berliner.
- 1887 or 1889 The Columbia Phonograph Company (now Columbia Records, Inc.)
was organized and established a factory in Bridgeport,
Connecticut, using the patent of Bell and Tainter.
- 1900 A new method of making laterally cut records was developed by
Eldridge R. Johnson.
- 1901 The Victor Talking Machine^{Co.} (now the RCA Victor Record Division)
was organized under Mr. Johnson.
- 1902 The industry's patents were pooled because litigation and in-
junctions had halted production.
About this time the disc record began to replace the cylinder
record.
- 1905 There were few record sales and prospects for the industry's
survival were dim.
About this time the Victor Company carried out an intensive
advertising campaign.

Chronology

Shortly
after
1905

Enrico Caruso was signed by the Victor Company. His records were immediately successful and by 1921 he had received royalties of more than \$3 million.

1908

In White-Smith Music Publishing Company v. Apollo Company,

209 US 1, the Supreme Court held that only written or printed copies of a copyrighted musical composition could infringe the copyright, and, therefore, player piano rolls (and apparently phonograph records) could be manufactured without royalty payments.

1909

The Aeolian Company, the largest piano roll manufacturer, fearing that Congress would reverse the 1908 Supreme Court ruling, by this time had secured exclusive piano roll rights to the copyrighted music of eighty music publishers.

The Act of March 4, 1909, 35 Stat. 1075, made the unauthorized recording of musical compositions an infringement and, in an effort to prevent the Aeolian Company from gaining a monopoly, provided for the compulsory licensing of recordings, whereby once the right to record a copyrighted work has been granted, anyone else may record the work provided he notifies the copyright owner and pays him a royalty of two cents on each record manufactured.

1910

The Edison "Diamond Disc" record was developed.

1921

Phonograph record sales reached \$106 million, a high which was not exceeded until 1946. However, the recordings of this

1921
(cont.)

time, made by the acoustical process, were scratchy and were not well suited for reproducing musical instruments other than the human voice.

The first radio stations were granted broadcasting licenses.

1925

The superior quality of radio broadcasting had caused phonograph record sales to fall to \$59 million.

Electrical recording was developed by the Western Electric Research Laboratories. This new process increased the frequency range, made recordings louder, and permitted the recording of orchestras.

1929

Phonograph record sales reached \$75 million.

The stock market crashed.

1931

A long playing record was developed by the RCA Victor Company, but due to its defects had little success.

1933

The depression caused record sales to fall to a low of \$6 million.

1934

The Decca Record Company (now Decca Records, Inc.) was established, offering records for \$.35 and having Bing Crosby as its major recording artist.

1937

The Victor Record Society, including for a low price a record player, records, and a magazine subscription, highlighted a successful RCA Victor promotional effort.

1940

Columbia Records took the industry by surprise by reducing the price of its first class records from \$2.00 to \$1.00. RCA Victor was quickly forced to follow suit and record sales increased.

1940 (cont.) The supply of European records was cut off, and more emphasis was placed on recording American orchestras.

1942 Capitol Records, Inc. was established.

1942 - Aug. When the record companies refused to meet his demands for increased recording fees and record royalties, James Cesar Petrillo, head of the American Federation of Musicians, ordered a ban on recording.

1944- Nov. After failure of the Federal government to settle the labor dispute and after more than two years with virtually no recordings, Columbia Records entered into a contract with the American Federation of Musicians, providing for the payment of royalties into a Music Performance Trust Fund.

mid 1940's Up to this time songs generally became hits through live performances, such as by bands or through radio or motion pictures, rather than through phonograph records.

Up to this time there were few small, independent music publishers, and most songs were published by the major companies: Chappell, the Warner Bros. firms (T. B. Harms, Remick, and M. Witmark), the Big Three (Robbins, Feist and Miller), Shapiro-Bernstein, Milla, Famous, Bourne, Irving Berlin, and Bregman-Vocco & Conn.

mid
1940's
(cont.)

Columbia, Victor, Decca, and Capitol dominated the popular record field, and Columbia and Victor dominated the classical field. It is estimated that before 1948 these four companies accounted for at least three-fourths of all record sales. A survey of 1945 showed 65 different companies in the market, while another source reports there were about 200 independent companies in the 1947-1948 period.

The jazz market encouraged a number of new companies to enter the field, although many were short-lived.

Magnetic tape was introduced in the United States.

The one stop, a subdistributor serving juke box operators, came into existence.

1948 American record companies started the move to higher fidelity.

1948-
spring The 12-inch LP microgroove record, operating at 33 1/3 rpm, was introduced by Columbia.

1949 Seven-inch 45 rpm records and record players capable of playing only that speed were introduced by RCA Victor.

1950 Recordings of "South Pacific" and "Kiss Me Kate" popularized the LP and encouraged the entrance of new companies into the record market.

1950-
Feb. RCA Victor released its first LP's.

- 1951-
Feb. Columbia released its first 45 rpm records.
- 1955 The stereo tape recorder for home use was introduced.
The Columbia Record Club was established.
RCA Victor cut the list price of its LP's by \$2.00, and other
companies soon followed its lead.
- 1957 The rack jobber, a subdistributor supplying record racks, started
to become a market factor.
- 1958 The stereophonic record was introduced by Audio Fidelity, Inc.,
and other companies were soon putting stereo records on the
market.
- 1960 An investigation by the House Special Subcommittee on Legislative
Oversight revealed financial payoffs to certain disc jockeys
in return for the special broadcast exposure of particular
phonograph records. The Communications Act of 1934 was
amended in an effort to prevent such payola.
- 1961 Capitol and RCA Victor announced that they would introduce a
7-inch 33 1/3 rpm record.
- 1961-
July The Register of Copyrights in a report, Copyright Law Revision,
tentatively recommended elimination of compulsory licensing.
- 1962-
June The Federal Trade Commission issued a complaint against the
Columbia Broadcasting System and the Columbia Record Club,
charging that they had violated section 5 of the Federal
Trade Commission Act.
- 1962-
Oct. The Act of October 9, 1962 provided criminal penalties for traf-
ficking in phonograph records bearing forged or counterfeit
labels.

- 1963 Retail phonograph record sales reached an all time high, estimated by Billboard as \$658 million.
- 1963-
spring Dynagroove was introduced by RCA Victor.
- 1963-
July Columbia Records initiated a LP price stabilization program, prompting similar price stabilization moves by other companies.
- 1963-
Sept. Subcommittee 4 of the House Select Committee on Small Business held hearings on the impact of dual distribution in the phonograph record industry.
- 1963-
October The Federal Trade Commission announced that it was making preparations for a record industry trade practice conference.
- 1964-
March The Federal Trade Commission held a public hearing on proposed trade practice rules for the phonograph record industry.
- 1964-
July Proposed legislation drafted by the U. S. Copyright Office provided for retention of compulsory licensing with an increase in the mechanical royalty, repeal of the juke box performance royalty exemption, and protection against record duplication.
- 1964-
Sept. A Federal Trade Commission examiner recommended dismissal of all Federal Trade Commission charges against the Columbia Broadcasting System and the Columbia Record Club.
- 1964-
Oct. The Federal Trade Commission promulgated trade practice rules for the phonograph record industry.

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Historical tables

Retail Phonograph Record Sales as Reported by Billboard^{1/}

Year	Sales (in millions of dollars)	Yearly percent change
1921	\$106	
1922	92	- 13.2%
1923	79	- 14.1%
1924	68	- 13.9%
1925	59	- 13.2%
1926	70	18.6%
1927	70	
1928	73	4.3%
1929	75	2.7%
1930	46	- 38.7%
1931	18	- 60.9%
1932	11	- 38.9%
1933	6	- 45.5%
1934	7	16.7%
1935	9	28.6%
1936	11	22.2%
1937	13	18.2%
1938	26	100.0%
1939	44	69.2%
1940	48	9.1%
1941	51	6.3%
1942	55	7.8%
1943	66	20.0%
1944	66	
1945	99	50.0%
1946	198	100.0%
1947	204	3.0%
1948	172	- 15.7%
1949	158	- 8.1%
1950	184	16.5%
1951	191	3.8%
1952	202	5.8%
1953	205	1.5%
1954	195	- 4.9%
1955	227	16.4%
1956	331	45.8%
1957	400	20.8%
1958	438	9.5%

Historical tables (cont.)

Year	Sales (in millions of dollars)	Yearly percent change
1959	\$514	17.4%
1960	521	1.4%
1961	587	12.7%
1962	651	10.9%
1963	658	1.1%
1966 (est)	800	

1/ Billboard lists sources as Record Industry Association of America, excise tax payments, and estimates from other data.
Source: "Billboard market data report," Billboard, August 15, 1964, sec. 2, p. 16.

Phonograph Record Sales as Reported by the Record
Industry Association of America 1/
(in millions of dollars)

Year	Manufacturers prices	Retail prices
1921	\$48.0	\$105.6
1922	42.0	92.4
1923	36.0	79.2
1924	31.0	68.2
1925	27.0	59.4
1926	32.0	70.4
1927	32.0	70.4
1928	33.0	72.6
1929	34.0	74.8
1930	21.0	46.2
1931	8.0	17.6
1932	5.0	11.0
1933	2.5	5.5
1934	3.0	6.6
1935	4.0	8.8
1936	5.0	11.0
1937	6.0	13.2
1938	12.0	26.4
1939	20.0	44.0
1940	22.0	48.4
1941	23.0	50.6
1942	25.0	55.0
1943	30.0	66.0
1944	30.0	66.0
1945	45.0	99.0
1946	90.0	198.0
1947	97.0	203.7
1948	82.0	172.2
1949	75.0	157.5
1950	82.0	172.2
1951	85.0	178.5
1952	90.0	189.0
1953	91.0	191.1
1954	87.0	182.7
1955	112.0	235.2
1956	155.5	312.6
1957	180.0	378.0
1958	198.0	415.0
1959	230.5	484.1

Year	Manufacturers prices	Retail prices
1960	\$228.4	\$480.0
1961	244.3	513.1
1962	271.6	570.2

1/ Estimated by the Record Industry Association of America on the basis of Internal Revenue Service excise tax receipts.

Source: Record Industry Association of America. Statement in opposition to the recommendation of the Register of Copyrights that the compulsory license for the recording of music be eliminated from the Copyright Act. 1963. p. 56.

Value of Shipments of the Phonograph Record Manufacturing Industry ^{1/}
(in millions of dollars)

Year	Value exclusive of shipments of products bought for resale without further manufacture, processing or assembly	Value including shipments of products bought for resale without further manufacture, processing or assembly
1939 ^{2/}	\$ 9.4	
1947	110.2	
1950 ^{3/}	82.1	
1954	84.7	\$ 92.5
1957 ^{3/}	121.5	
1958	138.6	148.7
1959 ^{3/}		150.6
1960 ^{3/}		154.9
1961 ^{3/}		165.5
1962 ^{3/}		189.3

^{1/} Does not include costs and payments related to the production of master records, such as royalties and other payments to performers, the American Federation of Musicians, and publishers.

^{2/} Value of production.

^{3/} Estimates from representative sample, not from complete canvas.

Sources: U. S. Bureau of the Census. U. S. census of manufactures: 1958. Washington, U. S. Government Printing Office, 1961. v. II, part 2, p. 36D-7.
U. S. Bureau of the Census. Annual survey of manufactures: 1959 and 1960. Washington, U. S. Government Printing Office, 1962. pp. 42, 43.
U. S. Bureau of the Census. Annual survey of manufactures: 1961. Washington, U. S. Government Printing Office, 1963. p. 42.
U. S. Bureau of the Census. Annual survey of manufactures: 1962. General statistics for industry groups and industries (M62(AS)-1) (revised). Washington, 1964. p. 18.

Value of Shipments of Phonograph Records^{1/}
(in millions of dollars)

Year	Value of shipments
1947	\$105.8
1954	80.2
1958	136.2
1959 ^{2/}	142.0
1960 ^{2/}	149.2
1961 ^{2/}	160.7
1962 ^{2/}	186.8

^{1/} The value of shipments for the product class, phonograph records, includes all shipments of phonograph records, including inter-plant transfers, whether made by the phonograph record industry or by other industries. It does not include costs and payments related to the production of master records, such as royalties and other payments to performers, the American Federation of Musicians, and publishers.

^{2/} Estimates from representative sample, not from complete canvas.

Sources: U. S. Bureau of the Census. U. S. census of manufactures: 1954. Washington, U. S. Govt. Print. Off., 1957. vol. II, part 2, p. 36C-14.
U. S. Bureau of the Census. Annual survey of manufactures: 1962. Value of shipments of selected classes of products (M62(AS)-2) (revised). Washington, 1964. p. 30.

Payroll of the Phonograph Record Manufacturing Industry

Year	Number of companies ^{2/}	Payroll ^{3/} (in millions of dollars)
1939		not available
1947		\$29.2
1950 ^{1/}		20.6
1954	135	23.3
1957 ^{1/}		28.9
1958	85	33.4
1959 ^{1/}		35.2
1960 ^{1/}		37.4
1961 ^{1/}		39.6
1962 ^{1/}		45.3

^{1/} Estimates from representative sample, not from complete canvas.

^{2/} Excludes companies engaged exclusively in the manufacture of master records.

^{3/} Does not include costs and payments related to the production of master records, such as royalties and other payments to performers, the American Federation of Musicians, and publishers.

- Sources: U. S. Bureau of the Census. U. S. census of manufactures: 1958. Washington, U. S. Govt. Print. Off., 1961. v. II, part 2, p. 36D-7.
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United States Imports and Exports of Phonograph Records^{1/}
(at factory value in millions of dollars)

Year	U. S. imports	U. S. exports
1954	\$1.8	\$6.8
1955	2.6	8.3
1956	2.7	9.8
1957	2.5	11.0
1958	3.0	11.5
1959	3.6	10.7
1960	3.7	10.7
1961	4.1	8.1
1962	4.3	7.5

1/ Statistics relate only to actual records shipped physically from/to the U. S. to/from other nations, and not to U. S. material pressed abroad under license from the originating American company.

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 20.

Retail Phonograph Sales

Year	Units sold (in millions)	Yearly percent change
1952	1.2	
1953	1.6	13%
1954	2.7	67%
1955	3.0	12%
1956	4.1	36%
1957	4.9	19%
1958	4.1	-16%
1959	4.6	12%
1960	4.6	
1961	4.0	-13%
1962	4.8	20%
1963	5.0	4%
1964 (est)	5.0	

Source: "Billboard market data report," Billboard, August 15,
1964, sec. 2, p. 25.

Industrial Structure

The industrial structure of the phonograph record industry is exceedingly complex. To a casual observer it might appear that this industry is comprised solely of record manufacturers. Yet, as important as these record companies are, they are only one segment of the industrial structure which brings phonograph records to the consumer.

A phonograph record is the mechanical reproduction of a composition and is born with the author and the composer. The composition goes next to the music publisher who is responsible for publishing it as sheet music and for finding a record company to record it. Thus, the record manufacturer is third in the long chain of industrial segments responsible for placing records on the market.

There follow several steps between the record company and the consumer. As shown in the first of the following charts, as late as the 1940's the distribution of records to the public followed a fairly simple pattern. Phonograph records went from the record manufacturers to the record distributors who placed the records in the record stores where they were purchased by the consumers.

Normal Record Distribution Pattern, 1930's and into 1940's

RECORD MANUFACTURER

RECORD DISTRIBUTOR

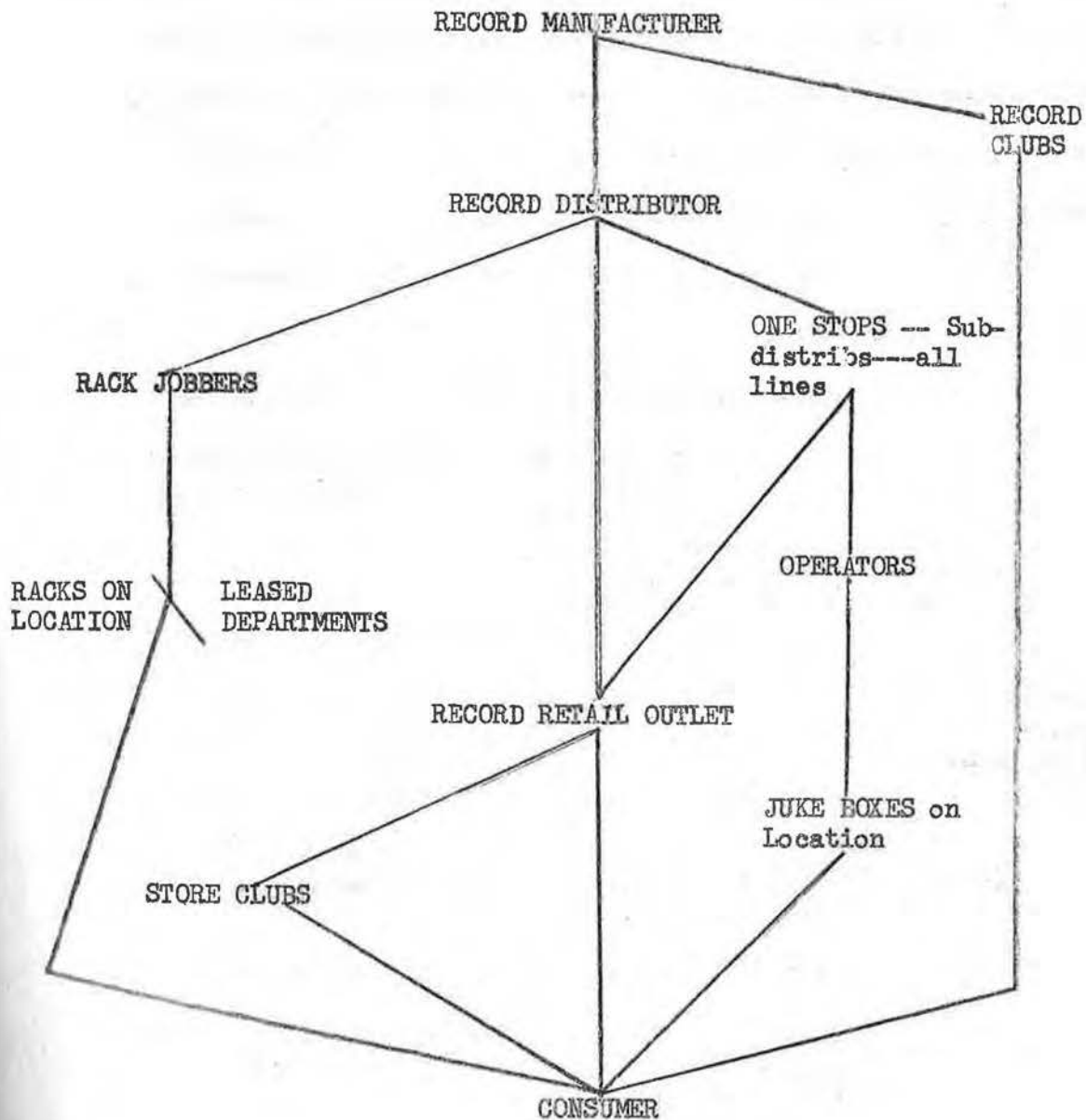
RECORD RETAIL OUTLET

CONSUMER

Source: Record Market Research, a division of Billboard, "Dual distribution," v. 5, p. 1146.

Today, as indicated in the second chart, the procedure is considerably more complicated. Some of the discs produced by record manufacturers reach consumers through record clubs rather than through the traditional distribution channels. The record distributors not only furnish records directly to record retail outlets, but also to two types of subdistributors, the rack jobber and the one stop. The consumer himself is given multiple sources from which he may purchase phonograph records: record stores; record racks in supermarkets, department stores, and variety stores; record clubs operated both by record manufacturers and record stores; and mail order packages. Further, he has the opportunity to hear phonograph records on juke boxes and on the radio.

Normal Record Distribution Pattern in 1960's



Source: Record Market Research, a division of Billboard, in "Dual distribution", v. 5, p. 1149.

Even the normal distribution pattern shown on the second chart is a simplification of present practice. Record shipments and sales do not always follow the distribution lines shown on the chart. Furthermore, both within the distribution structure and among the music publishing, record manufacturing, motion picture, and broadcasting industries there is considerable interownership.

The relative importance of each of the record industry's sales outlets is shown below:

Dollar Sales by Type of Outlet, 1961 and 1962

	Dollar sales at retail (in millions at retail selling price)		Percent of all record dollars at retail	
	1961	1962	1961	1962
Retail stores	\$ 305	\$ 319	52%	49%
Racks	147	197	25%	30%
Juke boxes	35	35	6%	5%
Clubs	<u>100</u>	<u>100</u>	17%	15%
	\$ 587	\$ 651		

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 14.

Unit Sales by Type of Outlet, 1961 and 1962

	Unit sales at retail (including singles and LP's in millions)		Percent of all unit sales at retail	
	1961	1962	1961	1962
Retail stores	160	171	45%	43%
Racks	100	136	28%	34%
Juke boxes	50	49	14%	12%
Clubs	<u>45</u>	<u>45</u>	13%	11%
	355	401		

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 14.

Associations

The major associations in, or directly affected by, the phonograph record industry are listed below:

Abbreviation	Name of Association	Membership as of given date	Description
ACA	American Composers Alliance	130 (1964)	composers of serious music; music licensing organization
AGAC	American Guild of Authors and Composers	2,100 (1964)	songwriters; negotiates with more than 1,100 music publishing firms who subscribe to its contract under which writers receive 50% of mechanical royalties; collects and audits royalties

Abbreviation	Name of Association	Membership as of given date	Description
ARMADA	American Record Merchants and Distributors Association	150 (1964)	independent wholesale record distributors accounting for about 75% of record sales volume and, as associate members, record manufacturers accounting for about 35% of industry sales volume
ASCAP	American Society of Composers, Authors and Publishers	8,060 (1963)	5,910 music writers and 2,150 music publishers; performing rights organization having licenses with almost all radio and television stations; 1962 gross revenues of \$35,279,033; under consent decree
AIP	Association of Independent Publishers	108 (1958)	music publishers, 69 of which affiliated with BMI and 39 with ASCAP (all of the owners of publishing firms affiliated with ASCAP also have publishing firms affiliated with BMI)
BMI	Broadcast Music, Inc.		performing rights organization of music writers and publishers owned by 600 networks and radio stations; no dividends paid; licenses with almost all radio and television stations; under consent decree
CMA	Country Music Association	1,100 (1964)	persons interested in advancing country music
MOA	Music Operators of America	890 (8/1963)	juke box operators

Abbreviation	Name of Association	Membership as of given date	Description
MPPA	Music Publishers' Protective Association	54 (1964)	music publishers; negotiates with AGAC as to standard contract between songwriters and music publishers; closely affiliated with Harry Fox who serves as trustee for many music publishers in granting recording licenses and collecting mechanical royalties
NARAS	National Academy of Recording Arts and Sciences	about 500 (1964)	participants in the creative work of producing at least six commercially released recordings, eg. recording artists, songwriters, arrangers
NAPA	National Association of Performing Artists		performing artists
NARM	National Association of Record Merchandisers	100 (1964)	rack jobbers servicing 24,000 racks and accounting for \$102,575,800 in gross retail record sales in 1962
NARRD	National Association of Record Retailer Dealers		record retailers
RIAA	Record Industry Association of America	56 (1964)	record manufacturers
ROSA	Record One Stop Association	25 (1964)	one stops
SESAC, Inc.	formerly Society of European Stage Authors and Composers	represents more than 300 (1963)	music publishers; performing rights organization

Abbre- viation	Name of Association	Membership as of given date	Description
SORD	Society of Record Dealers		now National Association of Record Retailer Dealers
SPA	Songwriters Protective Association		now American Guild of Authors and Composers

Sources:

- Blaisdell, William M. The economic aspects of the compulsory license, study no. 6 in series, Copyright law revision, studies prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, United States Senate, Eighty-Sixth Congress, First Session pursuant to S. Res. 53. (committee print, 86th Cong., 1st Sess.) Washington, U. S. Govt. Print. Off., 1960. pp. 93, 94.
- Carpenter, Paul S. Music, an art and a business. pp. 110, 111.
- Gale Research Co. Encyclopedia of associations, Detroit, 1964. vol. 1, National organizations of the United States.
- Goldberg, Morton David. "Promoting the progress of science and useful arts: a commentary on the Copyright Office report on general revision of the United States copyright law," Cornell Law Quarterly, Summer 1962, p. 624.
- Grevatt, Ren. "ASCAP puts on tumultuous show," Billboard, April 6, 1963, p. 4.
- "Members did gross biz of \$100 million, study shows," Billboard, March 16, 1963, p. 4.
- "MOA reveals fiscal status to members," Billboard, September 14, 1963, p. 45.
- Rolontz, Robert. How to get your song recorded. pp. 35-39.
- "Service & supplies for the U. S. music-record industry," Billboard, August 3, 1963, sec. 2, pp. 111, 131.
- U. S. Congress. House of Representatives. Committee on the Judiciary. Subcommittee No. 3. Counterfeit phonograph records, hearing... on H. R. 6354, a bill to provide (1) criminal penalties for the counterfeiting of phonograph records and (2) civil remedies for infringement of mechanical rights in copyrighted music, May 10, 1962. (87th Cong., 2d Sess.) Washington, U. S. Govt. Print. Off., 1962. pp. 4, 25. (Hereafter referred to as "Counterfeit phonograph records.")

Sources: (cont.,)

- U. S. Congress. House of Representatives. Committee on the Judiciary. Subcommittee No. 3. Providing for royalties for musical compositions on coin-operated machines, hearings...on H. R. 5174, a bill to provide for the payment of royalties for the public performance of copyrighted musical compositions by means of coin-operated machines, and for other purposes, May 2 and 3, 1963. (88th Cong., 1st Sess.) Washington, U. S. Govt. Print. Off., 1963. pp. 10, 63, 71. (Hereafter referred to as "Coin-operated machines.")
- U. S. Congress, Senate. Committee on Interstate and Foreign Commerce. Subcommittee on Communications. Amendment to Communications Act of 1934 (prohibiting radio and television stations from engaging in music publishing or recording business), hearings...on S. 2834, a bill to provide that a license for a radio or television broadcasting station shall not be granted to, or held by, any person or corporation engaged directly or indirectly in the business of publishing music or of manufacturing or selling musical recordings, March 11-July 23, 1958 (85th Cong., 2d Sess.) Washington, U. S. Govt. Print. Off., 1958. p. 593.

Authors and composers

Although there are many steps from the composition of a new song or classical work to the purchase of its recorded version by the consumer, it is with the author and composer that each new record germinates and it is upon the author and composer that the record industry must depend to supply the constant stream of new product demanded by the public. Granted that many new records are merely new arrangements of old compositions, it is the new hit song which has made possible a dynamic record industry. Although the number of new copyrighted musical compositions has fluctuated but has not increased appreciably during the past twenty years, there was in fiscal year 1963 a high of 72,583 musical composition copyright registrations (excluding dramatico-musical compositions), furnishing a large and varied supply of raw material for the phonograph record industry.^{1/}

The recording of his musical composition is not the only outlet available to the songwriter.^{2/} Earlier the sale of sheet music was the major market for musical compositions. The use of songs in motion pictures and the publishing of lyrics in song lyric magazines are other sources of revenue.^{3/} However, it is through royalties gained both from the sale and the public playing of phonograph records that the songwriter usually receives his major return.

^{1/} U. S. Librarian of Congress. Annual report for the fiscal year ending June 30, 1963. Washington, U. S. Government Printing Office, 1964. p. 86.

^{2/} The term 'songwriter,' as used here, includes both the author and the composer.

^{3/} Rolontz, Robert. How to get your song recorded. p. 34.

Once he has copyrighted his work, the songwriter relies on two other industry segments, the music publisher and the performing rights organization, to license his compositions and to collect these two types of royalty. Through contract the songwriter furnishes his composition to a music publisher who assumes responsibility for its recording. The American Guild of Authors and Composers has negotiated a standard contract form which is used widely in the industry. Under this contract not only are provisions made for sheet music royalties and synchronization rights (relating to use of the composition in motion pictures), but also the music publisher agrees to give fifty percent of the mechanical royalties to the songwriter. Under copyright law record manufacturers must pay a mechanical royalty of 2 cents per side on each 78 rpm record manufactured. Comparable royalty rates have been determined for the 45 rpm and 33 1/3 rpm records sold today. In some cases the music publisher agrees to a lower rate in order to promote the composition, and the royalty rate for popular music is usually less than 2 cents. Fifty percent of these mechanical royalties are paid to songwriters semiannually; in the case of a different author and composer this return is split between them. ^{1/}

In May 1963 hearings Perry S. Patterson reported that the Register of Copyrights' report indicated gross mechanical royalties of \$9.75 million. ^{2/} On the other hand, statistics presented during the Federal Trade Commission hearings on the Columbia Record Club showed

^{1/} Finkelstein, Herman. "Music and the copyright laws, the economics of authorship," New Hampshire Bar Journal, April 1960, pp. 143,144; French, Richard F. "The dilemma of the music publishing industry" in Lang, Paul Henry, editor. One hundred years of music in America. New York, G. Schirmer, 1961. p. 178; Rolontz, Robert. How to get your song recorded. pp. 34, 35; U. S. Register of Copyrights. Copyright law revision, report. . . on the general revision of the U. S. copyright law, 1961. p. 33.

^{2/} Coin-operated machines, p. 98.

that the collecting agent for about seventy percent of the music publishing industry received \$13,194,000 in record company royalty payments in 1961. ^{1/} It may be assumed that about half of these payments minus administrative costs went to authors and composers.

Songwriters join performing rights organizations to secure the royalties to which they are entitled for the public performance of their compositions, such as by broadcasting stations. The two major performing rights organizations are the American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI), with SESAC, Inc. also of importance. ASCAP has a complex system for determining the portion of performance royalties going to the writer, with the current performances of the writer's works, the performances of his compositions over the preceding five years, and the length of time he has belonged to ASCAP and his works have been in its catalogue, all being determining factors. BMI writer members receive royalties of 2 cents for each local radio performance of a song and 3 cents for each such performance by a broadcasting network. ^{2/}

In 1962 ASCAP had revenues of \$35.3 million, with approximately \$28 million left after payment of administrative costs for distribution to its writer and publisher members. ^{3/} The gross revenue of BMI has been estimated at approximately \$10 million ^{4/} or \$14 million. ^{5/} The performance royalties collected by these agencies include royalties from live, as well as recorded, performances.

^{1/} Record Industry Association of America. Statement in opposition to the recommendation of the Register of Copyrights that the compulsory license for the recording of music be eliminated from the Copyright Act. 1963. p. 6.

^{2/} Rolontz, Robert. How to get your song recorded, pp. 43, 45.

^{3/} Grevatt, Ren. "ASCAP puts on tumultuous show," p. 4.

^{4/} Rolontz, Robert. How to get your song recorded, p. 40.

^{5/} Coin-operated machines, p. 87.

Music publishers

The music publisher forms the important link between the individual author or composer and the phonograph record company. Receiving compositions under assignment (with agreement to pay royalties) or by purchase from the songwriter, the music publisher tries to promote the use of these compositions by printing sheet music and entering into recording agreements with record manufacturers. ^{1/}

Published musical compositions must be copyrighted to remain out of the public domain and to enjoy the protection of the copyright laws. Copyrights are granted for twenty-eight years, with renewal rights for the same period. Initially the music publisher published all compositions as sheet music. As the phonograph record market became the principal market for these compositions, the music publisher often tested a composition's market potential by selling phonograph records prior to the printing of sheet music. However, under the 1950 Miracle Record case (Shapiro, Bernstein & Company v. Miracle Record Company, 91 F. Supp. 473 (N. D. Ill. 1950)), it was ruled that sale of a phonograph record constituted publication. Thus, this decision may mean that sale of the recording of an uncopyrighted composition would place it in the public domain. ^{2/}

^{1/} Fenton, Joseph. "Accounting for music publishers," New York Certified Public Accountant, January 1962, pp. 19-21.

^{2/} Diamond, Sidney A. "Copyright problems of the phonograph record industry," pp. 345, 346; Morrison, Peter H. "Copyright publication: the sale and distribution of phonograph records" in Copyright law symposium, number ten, Nathan Burkan Memorial Competition sponsored by the American Society of Composers, Authors and Publishers. New York, Columbia University Press, 1959. pp. 387, 388.

Phonograph records, in contrast with the musical compositions recorded, are not copyrightable. However, under title 17, section 1 (e) of the United States Code, ^{1/} unauthorized recording of a copyrighted musical composition is an infringement of the copyright law. The law further makes specific provision for the recording of copyrighted musical compositions. Once the copyright owner has permitted recording of his composition, he must file notice in the Copyright Office that he has recorded the composition or licensed for its recording. Failure to do so relieves anyone using this composition from infringement of the copyright. Once notice of the reproduction has been filed in the Copyright Office, any person may reproduce the composition provided he pays the copyright owner a mechanical royalty amounting to 2 cents on each 78 rpm record side. Thus, the music publisher can only choose the company to make the original recording of his composition and his license with that firm cannot be exclusive. This availability of musical compositions for recording by anyone who pays a mechanical royalty is thus a form of compulsory licensing.

In practice the procedures set forth in the statute are not strictly followed. In negotiating with a record licensee the music publisher often gives the manufacturer a license whereby he must pay a mechanical royalty only on those records sold rather than on the number of records manufactured, ^{2/} and sometimes the

^{1/} See Appendix.

^{2/} Burton, Robert J. "Copyright and the creative arts" in Lang, Paul Henry, editor. One hundred years of music in America. p. 288; Yafee, David and Bruce Beckman. "Use restrictions on phonograph records," U.C.L.A. Law Review, July 1958, p. 665.

mechanical royalty is less than the statutory 2 cents. ^{1/} With the introduction of 33 1/3 rpm (LP) and 45 rpm records, it was necessary to determine new royalty rates. Now the statutory 2 cents is generally applied on each tune on these records, with the royalty for a twelve selection \$3.98 LP amounting to 24 cents. ^{2/} Under the Music Publishers' Protective Association's long-form license the rate is only 1 1/2 cents per selection on extended play records (7 inch 45 rpm with four tunes) with a list price under \$1.41 and on LP's with a suggested retail price of \$2.85 or under. A 1 3/4 cent rate is applied to LP's priced between \$2.86 and \$3. ^{3/} An alternative to this method of basing the royalty rate on retail price is one based on playing time under which the standard rate for EP's and LP's is now 1/4 cent a minute or fraction thereof, with a minimum of 2 cents a side. ^{4/} Further, since licenses under the compulsory licensing provision are

^{1/} Blaisdell, William M. The economic aspects of the compulsory license, pp. 95, 102; Rolontz, Robert. How to get your song recorded, p. 34; U. S. Register of Copyrights, Copyright law revision, report. . . on the general revision of the U. S. copyright law, p. 33. The following source reports that the 2 cent rate is usually in effect: "Publishers say club ok with them," Billboard, February 9, 1963, p. 8.

^{2/} Henn, Harry G. The compulsory license provisions of the U. S. copyright law, study no. 5 in series, Copyright law revision, studies prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, United States Senate, Eighty-Sixth Congress, First Session pursuant to S. Res. 53 (committee print, 86th Congress, 1st Session). Washington, U. S. Government Printing Office, 1960. p. 50; "Publishers say club ok with them," p. 8; U. S. Register of Copyrights. Copyright law revision, part 2, discussion and comments on Report of the Register of Copyrights on the general revision of the U. S. copyright law. (88th Congress, 1st Session, House committee print), Washington, U. S. Government Printing Office, 1963. p. 67.

^{3/} Henn, p. 50.

^{4/} Blaisdell, William M. The economic aspects of the compulsory license, p. 95.

usually granted as a manner of routine, record manufacturers generally release their records before seeking a license.^{1/} In addition, mechanical royalties are often paid to the music publisher quarterly instead of monthly as provided in the statute.^{2/}

In recent years repeal or revision of the compulsory licensing provision has been considered. In his July 1961 report, Copyright Law Revision, the Register of Copyrights tentatively recommended repeal of compulsory licensing.^{3/} In July 1964 after further study and the holding of discussions on the 1961 report,^{4/} the U. S. Copyright Office submitted proposed legislation (S. 3008 and H.R. 11947) providing for retention of compulsory licensing with an increase in the mechanical royalty to three cents per work or one cent per minute of playing time or fraction thereof whichever was greater.^{5/} Revision of the compulsory licensing provision is now under Congressional consideration.

More than 800 music publishers use the office of Harry Fox as their agent for the licensing of their compositions and the collection of mechanical royalties.^{6/} Music publishers receive about one-half of net mechanical royalties. As pointed out above in the section "Authors and composers," estimates of gross record company royalties range from \$9.75 million^{7/} to over \$13.194 million.^{8/}

^{1/} Diamond, p. 340.

^{2/} Yaffee, p. 665.

^{3/} U.S. Register of Copyrights. Copyright law revision, report...on the general revision of the U.S. copyright law. p. 36.

^{4/} U.S. Register of Copyrights. Copyright law revision, part 2, discussion and comments on Report of the Register of Copyrights on the general revision of the U.S. copyright law. 419 p.

^{5/} Hall, Mildred. "Copyright revision bill milestone in achievement," pp. 1, 6

^{6/} Blaisdell, William M. The economic aspects of the compulsory license. p. 94; "Counterfeit phonograph records," p. 25.

^{7/} Coin-operated machines, p. 98.

^{8/} Record Industry Association of America. Statement in opposition to the recommendation of the Register of Copyrights that the compulsory license for the recording of music be eliminated from the Copyright Act. 1963. p. 6.

The degree of concentration in the music publishing industry has changed markedly since the end of World War II. In 1945 most songs were published by a few large companies: Chappell; firms owned by Warner Brothers (Harms, Remick, and Witmark); the so-called Big Three (Robbins, Feist, and Miller, presently owned by Metro-Goldwyn-Mayer); Shapiro-Bernstein; Mills; Famous; Bourne; Irving Berlin; and Bregman-Vocco & Conn.^{1/}

Today, when phonograph records have replaced sheet music as the important outlet for musical compositions and when radio and television can quickly transform an unknown song into a nationwide hit, there are hundreds of active music publishers, some of whom operate on such a small scale that they do not have their own facilities for printing sheet music.^{2/}

^{1/} Rolontz, Robert. How to get your song recorded. p. 16.

^{2/} Ibid., p. 17; Fenton, p. 19.

In 1958 Congressional testimony, Guy Freedman, vice president of Alec Templeton Music, stated that of the 974 music publishers then belonging to ASCAP, only nine were large businesses receiving more than \$ 1/4 million annually in ASCAP royalties. These companies were the same as those listed above as important in the industry before 1945 with the exception of Irving Berlin and Bregman-Vocco & Conn and the addition of Carl Fischer and G. Schirmer. Nevertheless, it should be remembered in view of Mr. Freedman's assertion that these publishers control ASCAP, ^{1/}that in its distribution of performance royalties ASCAP gives preference to well established songs and senior ASCAP members. ^{2/}

There follow two tables showing those music publishers responsible for hit singles records in 1963, with the first table showing the leading music publishers in terms of placement of records on Billboard's Hot 100 charts and the second showing those music publishers responsible for the top 100 songs of 1963. It should be noticed that there is very little concentration of record hits in the publishing industry. Screen Gems-Columbia Music and Aldon (which are under common ownership) and Jobete dominate both tables, with Acuff-Rose, Kalmann, and Trio also far outranking their competitors in the number of record sides placed on Billboard's Hot 100 charts. However, with these exceptions, there is widespread distribution of record hits.

^{1/} U. S. Congress. House of Representatives. Select Committee on Small Business. Subcommittee No. 5. Policies of American Society of Composers, Authors, and Publishers, hearings. . . pursuant to H. Res. 56, a resolution creating a select committee to conduct a study and investigation of the problems of small business, March 13-April 2, 1958. (85th Congress, 2d Session), Washington, U. S. Government Printing Office, 1958. pp. 214, 215.

^{2/} Rolontz, Robert. How to get your song recorded. p. 45.

It is also interesting to note that on both of these tables there is a preponderance of BMI as opposed to ASCAP publishing firms. Of the ten top music publishers only two belong to ASCAP, and of the leading fifty publishers there are only eleven ASCAP members.

Fifty Leading Music Publishers, 1963 ^{1/}

Music publisher, ^{2/} affiliation	Position ^{3/}	Number of record sides on Billboard's Hot 100 charts
Aldon, BMI	1	25
Screen Gems-Columbia Music, BMI	3	24 49
Jobete, BMI	2	31
Acuff-Rose, BMI	4	14
Kalman, ASCAP	5	15
Trio, BMI	6	20
Witmark, ASCAP	7	5
Arc, BMI	8	6
Sea of Tunes, BMI	9	6
Presley, BMI	10	5
Curtom, BMI	11	8
Arch, ASCAP	12	4
Pamper, BMI	13	7
Bright Tunes, BMI	14	3
Le Bill-Mar Bill, BMI	15	5
Beechwood, BMI	16	4
Marks, BMI	17	4
Comet, BMI	18	3
Kags, BMI	19	6
Leeds, ASCAP	20	6
January, BMI	21	8
Brenner, BMI	22	2
Mother Bertha, BMI	23	6
Rosewood, ASCAP	24	2

Music publisher, ^{2/} affiliation	Position ^{3/}	Number of record sides on Billboard's Hot 100 charts
Famous, ASCAP	25	4
McLaughlin, BMI	26	3
Cameo-Parkway, BMI	27	5
Painted Desert, BMI	28	4
Ryerson, BMI	29	3
Nom, BMI	30	3
Mellen, BMI	31	5
Merna, BMI	32	4
Venice, BMI	33	4
Moss Rose, BMI	34	5
Joy, ASCAP	35	5
Saturday, ASCAP	36	4
Rockmasters, BMI	37	2
Merrimac, BMI	38	3
Elm Drive, ASCAP	39	4
Saturn, BMI	40	4
Four Star, BMI	41	6
Roosevelt, BMI	42	6
Summit, ASCAP	43	1
Cotillion, BMI	44	6
Tiger, BMI	45	2
Gavadima, ASCAP	46	3
Ridge, BMI	47	2
Lowery, BMI	48	4
Vogue, BMI	49	1
T.M., BMI	50	6

- 1/ This list is based on the placing of single records on Billboard's Hot 100 charts during the first 48 weeks of 1963.
- 2/ Music publishers have been grouped by current common ownership where such information is available.
- 3/ "A reverse order point system was used in tabulation, with all split copyrights receiving split credit As points were awarded on the basis of chart position, the number of entries hitting the chart by an individual publisher does not necessarily determine his rating in the Top Publisher list."

Source: "Top publishers--1963," Billboard,
December 28, 1963, sec. 2, p. 51.

Music Publishers Placing Records on Billboard's Honor Roll of Hits for
1963 1/

Music publisher, <u>2/</u> affiliation	Number of records <u>3/</u>
Screen Gems-Columbia, BMI	11
Jobete, BMI	6
BNP, ASCAP	1
Four Star, BMI	<u>1</u> 1/2
	2 1/2
Curton, BMI	2 1/2
Arc, BMI	2
Beechwood, BMI <u>4/</u>	2
Bright Tunes, BMI	2
Le Bill-Mar Bill, BMI	2
Marks, BMI	2
Pepamar, ASCAP	1
Witmark, ASCAP	<u>1</u>
	2
Presley, BMI	2
Mellin, BMI	1 1/2
Mother Bertha, BMI	1 1/2
Trio, BMI	1 1/2
Acuff-Rose, BMI	1
Adaris, BMI <u>4/</u>	1
Arch, ASCAP	1
Blackwood, BMI	1
Bregman, Vocco & Conn, ASCAP	1
Brenner, BMI	1
Cameo-Parkway, BMI	1

Music publisher, ^{2/} affiliation	Number of records ^{3/}
Campbell-Connelly, ASCAP	1
Cedarwood, BMI	1
Comet, ASCAP	1
Cramart, BMI	1
Curtain Call, BMI	1
Dandelion, BMI	1
Dasher, BMI	1
Disal, ASCAP	1
Downey, BMI	1
Dundee, BMI	1
Elm Drive, ASCAP	1
Famous, ASCAP	1
Fred Rose, BMI	1
Gavadima, ASCAP	1
Gladys, ASCAP	1
Glamorous, ASCAP	1
Jay & Cee, BMI	1
Kags, BMI	1
Kalman, ASCAP	1
Leeds, ASCAP	1
Ludlow, BMI	1
McLaughlin, BMI	1
Merrimac, BMI	1
Milene, ASCAP	1
Miraleste-Robin Hood, BMI	1
Moss Rose, BMI	1
Nom, BMI	1

Music publisher, ^{2/} affiliation	Number of records ^{3/}
Quartet, BMI	1/2
Rittenhouse, BMI	1/2
RTC, BMI	1/2
Sea of Tunes, BMI	1/2
Sherman, BMI	1/2
Twist, BMI	<u>1/2</u>
	100

- ^{1/} This table is compiled from Billboard listings for the period January 6, 1963 to November 16, 1963 and includes the top 100 single records, based both on the number of weeks a record appeared on the honor roll and the position it held each week.
- ^{2/} Music publishers have been grouped by current common ownership where such information is available. In cases where a hyphenated name appears on the Billboard list and it is not clear whether it is the name of one publishing company or whether two companies handled the record, the name is listed as if it were one company.
- ^{3/} Where two publishing companies handled one record, each is listed as having placed one-half record on the honor roll.
- ^{4/} Beechwood Music Corp. is owned by Capitol Records, while Adaris is owned by TM, Inc., an independent record producer on whose masters Capitol Records has first option.

Source: "Honor roll of hits for 1963," Billboard,
December 28, 1963, sec. 2, p. 38.

Music publisher, ^{2/} affiliation	Number of records ^{3/}
Pamper, BMI	1
Premier, BMI	1
Rayven, BMI	1
Robbins, ASCAP	1
Rockmaster, BMI	1
Rosewood, ASCAP	1
Ryerson, BMI	1
Saturday, ASCAP	1
Saturn, BMI	1
Shan-Todd & Tupper, BMI	1
Sherlyn-Pent, BMI	1
Summit, ASCAP	1
Sunbeam, BMI	1
Tiger, BMI	1
T.M., BMI	1
Tobi-Ann & Vann, BMI	1
Vogue, BMI	1
Winlyn, BMI	1
Blen, ASCAP	1/2
Butterfield, BMI	1/2
Dayben, ASCAP	1/2
De Vorzon, BMI	1/2
Guild, BMI	1/2
Mabs, ASCAP	1/2
Mansion, ASCAP	1/2
Painted Desert, BMI	1/2
Poliro, BMI	1/2

Record manufacturers

Although authors, composers, publishers, artists, and a distribution system are all integral parts of the phonograph record industry, it is the record manufacturer who must be regarded as the key market segment. The record manufacturer is responsible for transforming a musical composition into a physical, marketable product, the phonograph record. In so doing, his major function is to make a master recording from which the individual commercial records are produced. In making a master record, the record company must select promising compositions, decide on a musical arrangement, choose the recording musicians and artists, stage rehearsals, and conduct the recording session. ^{1/} This making of a master tape or disc is the only work of many small record companies, but for the record manufacturing industry as a whole the second important function is the production of commercial records from this master recording. In addition to the pressing of records from a master disc, the record manufacturer must rely on label manufacturers, printers, jacket designers and manufacturers, envelope and polyethylene bag suppliers, and numerous other services before his product is ready for the consumer market. ^{2/}

Number of record companies

There is no accurate count of the number of record companies existing at any particular time, but a number of estimates have been

^{1/} Rolontz, Robert. How to get your song recorded, p. 51.

^{2/} "Supplies and services for the U. S. music-record industry,"
Billboard Music Week, August 4, 1962, p. 63.

made of the size of the industry. In 1961 an article in Fortune stated that there were probably about 3,000 manufacturers, with 500 of these having established repertories. ^{1/} Two estimates of approximately 3,000 different labels placed 600 to 800 of these as being released on a regular basis. ^{2/} In 1963 Robert Rolontz estimated that there were 600 active record companies and 1,500 semi-active record labels. ^{3/} In that same year Amos Heilicher reported that the Music Performance Trust Fund estimated that there were 3,000 record companies, but that this figure excluded perhaps some 200 firms using non-union artists. Mr. Heilicher felt only some 200 firms followed a fairly regular release schedule. ^{4/} It should be noted that often these estimates refer to the number of labels rather than of companies. Although the term 'label' is often used in this industry as synonymous with manufacturer, a number of record manufacturers issue records under several labels.

On the basis of the above estimates, it may be stated that there are somewhere between 2,100 and 3,200 firms releasing phonograph records. Of these over 200 companies release records on a regular basis.

Characteristics of large and small firms

As is evidenced by the large number of semi-active firms, it is relatively easy to enter the record manufacturing industry.

^{1/} Hamill, Katharine. "The record business -- 'it's murder,'" p. 150.

^{2/} DuBois, Peter C. "Clicks in disks," Barron's, April 16, 1962, p. 11;
Moxey, R. L. "Making records," Compressed Air Magazine,
October 1962, p. 8.

^{3/} Rolontz, Robert. How to get your song recorded. pp. 49, 50.

^{4/} Dual distribution, v. 5, p. 1137.

A new composition or new musical group is easily recorded on tape, whether at a recording studio, a radio station, or with a portable tape recorder in almost any location. The cost of renting a recording studio may be as low as \$10 an hour, and the cost of making a two-sided 33 1/3 inch LP from a tape recording is only about \$6 to \$10. ^{1/} The possessor of a demonstration record need have no facilities of his own to go into business. If he is willing to gamble the cost of making a master, of record pressing, and of distribution, companies in the record industry will even go so far as addressing and shipping his record packages. ^{2/}

Not only the one-record and semi-active record companies, but also many small companies issuing records on a regular basis do not rely solely on their own facilities for record production. They are concerned primarily with recording the master records and then lease or sell their masters to a larger competitor, who for a percent of the profits will manufacture, promote, and distribute them. These records may be issued under the label of either the recording company or the pressing company. ^{3/}

An example of the need of well-established, but smaller record companies to call upon facilities other than their own or their accustomed suppliers occurred with the recording of "The First Family" LP. This LP, which set an LP sales record, selling more than 4 million copies within approximately two months of its release, was the record of an independent record company, Cadence. To meet the overwhelming,

^{1/} Rolontz, Robert. How to get your song recorded. p. 28.

^{2/} Dual distribution, v. 5, p. 1138.

^{3/} Rolontz, Robert. How to get your song recorded. pp. 52, 53.

sudden demand for this record, "The First Family" records were pressed by RCA Victor, Columbia, Capitol, Monarch, Sonic, and All Disc, with the number of pressings setting record highs at the RCA Victor and Columbia pressing facilities. Five companies manufactured albums for this record, and the printing of covers and liners was done by three companies. ^{1/}

In addition to these larger company facilities, the Consolidated International Record Company of America (CIRCA) provides comparable services for small company masters ^{2/} and there are a number of independent record pressing companies.

Large and small record companies differ in many ways other than in physical facilities. While the large companies generally have many established artists under contract, smaller firms contract with fewer artists, and there are many compositions in the public domain which these small companies may record without payment of publisher royalties. The smaller firms will often have a musical speciality such as religious music or jazz and concentrate on a particular price market. In contrast, the largest record companies issue both single and LP records, carry budget as well as regular price lines, and have large record catalogues. They generally record under several labels and their records embrace a wide spectrum of music types. In addition, the larger companies often have their own distribution branches and record clubs.

^{1/} Rolontz, Robert. "The 'First Family' story-wow!" Billboard, January 26, 1963, p. 6.

^{2/} Rolontz, Robert. How to get your song recorded. pp. 52, 53.

The section "Phonograph records" below contains a more detailed discussion of the different types of record markets and the major participants therein. It should be noted that the largest companies are important factors in most of these market areas and that, as shown in that section and the following discussion of concentration within the record industry, RCA Victor, Columbia, Capitol and generally Decca are the industry leaders. For this reason a brief discussion of these four companies follows.

RCA Victor Record Division

Founded in 1901 as the Victor Talking Machine Company, RCA Victor since 1929 has been the record division of the Radio Corporation of America, which includes among its subsidiaries the National Broadcasting Company (NBC). RCA Victor has plants at Rockaway, New Jersey, New York City, Indianapolis, Indiana, and Hollywood, California, and the extent of its foreign operations is indicated by its 1962 opening of the world's largest recording studio in Rome, Italy. The RCA Victor Record Division issues records under the RCA Victor, Bluebird, Groove, and the low priced Camden and Victrola labels. It operates the RCA Victor Record Club, with an estimated 27% of the record club market. Although RCA does not report the sales of this division, it has stated that in 1962 the RCA Victor Record Division set a new sales record with increased sales in all product lines. It was estimated in January 1963 that RCA Victor had a gross annual sales volume of about \$70 million.^{1/}

^{1/} Ball, John, Jr. The phonograph record industry. pp. 12, 13; "A big new sound blows out of Nashville," Broadcasting, January 28, 1963, p. 68; Dual distribution, v. 5, p. 1140; Moody's industrial manual, 1963, pp. 1026, 1027; Radio Corporation of America annual report 1962, p. 7. Read, pp. 487, 489.

Columbia Records, Inc.

Columbia Records, which was established in the late 1880's as the Columbia Phonograph Company, since 1938 has been a subsidiary of the Columbia Broadcasting System (CBS). Originally located at Bridgeport, Connecticut, it now also has plants at Pitman, New Jersey, Terre Haute, Indiana, Hollywood, California, and Santa Maria, California (where ground was broken in December 1962) and presses for a number of independent record companies. It has major recording facilities in New York, Hollywood, and with the 1962 purchase of the Bradley Recording Studios for the recording of country music, in Nashville, Tennessee. In addition CBS has recording studios abroad in Buenos Aires, Mexico City, and Rio de Janeiro. Wholly-owned subsidiaries in Argentina, Australia, Brazil, Canada, and Mexico issue records under the CBS Records label. In the United States Columbia issues records under the Columbia, Epic, Okeh, Alpine, Legacy, and Stereo 7 labels as well as under the low price line Harmony and Perfect labels. CBS owns a music publisher, April Music, has eleven wholly-owned distributors, and operates the Columbia Record Club with an estimated 1,750,000 members. In 1962 Columbia Records plants produced more than 112 million records. The sales of the Columbia Records subsidiary of CBS are not reported separately, but were estimated in January 1963 as approximately \$68 million, gross. In 1962 Columbia Records reported more than a 15% increase in sales and its 1961 dollar sales volume was 33% higher than that of 1960.^{1/}

^{1/} Ball, pp. 12, 13; Federal Trade Commission, p. 3; "A big new sound blows out of Nashville," p. 68; Grevatt, Ren. "Witness tells FTC hearing club hurts sales and profits," Billboard, February 2, 1963, p. 1; Moody's industrial manual, 1963, pp. 575, 576; 1961 annual report to the stockholders of Columbia Broadcasting System, Inc., p. 8; "1962 annual report to the stockholders of Columbia Broadcasting System, Inc.," pp. 22, 25; Read, pp. 486, 488.

Capitol Records, Inc.

Capitol Records is a 98.3% owned subsidiary of Electric & Musical Industries, Ltd., a British company, which may well be the world's largest phonograph record manufacturer. Although Capitol Records was not incorporated until 1942, by fiscal year 1963 it had net sales of \$48,604,946 and profits before taxes of \$1,968,016. Capitol has plants in Scranton, Pennsylvania and Los Angeles and studio facilities in Hollywood and New York City, the latter operated under lease. It operates the Capitol Record Club and owns the Ardmore Music Corp. and the Beechwood Music Corp. Capitol releases records under the Capitol, Angel, and the new, low-priced Paperback Classics labels. ^{1/}

Decca Records, Inc.

Decca Records was established in 1934 as the Decca Record Company and with Bing Crosby as its recording artist became a leading record company. It is now 87.8% owned by MCA, Inc., which also owns two music publishing companies. Decca Records itself has 89.2% ownership of Universal Pictures Co. and owns the Northern Music Corp. It reported \$100,967,906 in net sales in 1962, but Universal Pictures accounted for much of the volume. It has been estimated that in 1962 the gross revenue from its phonograph records, phonographs, pressing plants, and publishing firms amounted to approximately \$30 million. Decca's records are released under the

^{1/} "Capitol sales hit highest since '59," Billboard, August 31, 1963, p. 1; Hart, Philip. "High quality classics at half price," High Fidelity Magazine, September 1963, p. 96; Moody's industrial manual, 1963, pp. 1886, 1887; "Rock 'n' roll cybernetics," Forbes, January 15, 1960, pp. 27, 28.

Decca, Coral, Brunswick, and budget line Vocalion labels. ^{1/}

Relative record company sizes

The lack of available financial information for most of the country's record companies prevents an accurate picture of concentration within the industry. However, some estimates do exist as to relative company sizes, permitting at least a general idea of industrial structure.

In 1961 an article in Fortune estimated that whereas before 1948 RCA Victor, Columbia, Capitol, and Decca accounted for at least 75% of United States record sales, their share had fallen in little more than 12 years to 50%. ^{2/} In June 1962 the Federal Trade Commission placed the market share of the first three of these companies as 40%. ^{3/} The combined sales volume of the four major companies as reported in the preceding section ^{4/} accounts for about 38% of the \$570 million in 1962 sales reported by the Record Industry Association of America ^{5/} and about 33% of the \$651 million of 1962 sales reported by Billboard. ^{6/}

^{1/} "Decca to reel off strong profits gains on box-office block-busters," Barron's, August 8, 1960, p. 25; "Decca's \$2.8 million net its all time high," Billboard, April 6, 1963, p. 3; Moody's industrial manual, 1963, p. 1407.

^{2/} Hamill, p. 149.

^{3/} Federal Trade Commission, p. 12.

^{4/} There are limitations in adding the sales of these companies since the sales volumes cover different periods and the sales figure for Capitol is a net rather than a gross figure.

^{5/} Record Industry Association of America. Statement in opposition to the recommendation of the Register of Copyrights that the compulsory license for the recording of music be eliminated from the Copyright Act. 1963. p. 56.

^{6/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 13.

A 1961 breakdown of the 52 record companies belonging to the Record Industry Association of America shows the following distribution as to sales volume:

Class A (sales of more than \$10 million)	4 members
Class B (sales from \$2 1/2-\$10 million)	6
Class C (sales from \$3/4-\$2 1/2 million)	4
Class D (sales from \$100,000-\$3/4 million)	16
Class E (sales under \$100,000)	22
	52 members <u>1/</u>

In 1962 96% of the royalties placed in the Music Performance Trust Fund came from 27 record companies. 2/

There follows a list showing both the labels of a number of leading record companies and, where available, estimates of annual sales. No attempt has been made to rank these companies by sales because of the data limitations. However, it is interesting to note that six companies in addition to the 'big four,' ABC-Paramount, Cameo-Parkway, Dot, Liberty, London, and United Artists, have estimated annual sales of over \$5 million.

1/ Record Industry Association of America. Ninth annual report, January 1, 1960-December 31, 1960. pp. 7, 8.

2/ Dual distribution, v. 5, p. 1138.

Leading Record Company Labels and Sales of Phonograph Records

Record company and labels	Annual sales (in millions of dollars)
ABC-Paramount Records	over \$10 (1961) <u>1/</u>
ABC-Paramount	
Apt	
Command	
Grand Award	
Impulse	
Westminster	
Atlantic Records	
Atco	
Atlantic	
Focus	
Frandy	
Keetch	
Lupine	
Shirley	
Stax	
T-Neck	
Triad	
Volt	
Cadence Records	
Cadence	
Caedmon Records	\$ 2.7 (as of 1962) <u>2/</u>
Caedmon	
Shakespeare Recording Society	
Cameo-Parkway Records	\$ 7.7 net (1962) <u>3/</u>
	\$ 2.6 net (first half 1963) <u>4/</u>
Cameo	
Fairmount	
Parkway	
Wyncote	
Capitol Records	\$ 48.6 net (fiscal year ended 6/30/63) <u>5/</u>
Angel	
Capitol	
Paperback Classics	

Record company and labels

Annual sales
(in millions of dollars)

Columbia Records

\$68 gross (estimate, 1/63) ⁶/₇
over \$54 net (1960) 7

Alpine
Columbia
Epic
Harmony
Legacy
Okeh
Perfect
Stereo 7

Decca Records

about \$30 gross (1962) ⁸/₉

Brunswick
Coral
Decca
Vocalion

Dimension Records

Colpix
Dimension
May

Dot Records

about \$16 gross (1961) ⁹/₁₀

Dot

Kapp Records

Congress
Four Corners
Kapp

Liberty

about \$9 (as of 1962) ¹⁰/₁₁

Dolton
Double L
Imperial
Liberty
Minute
Post
Rheims

London Records

slightly less than \$11
gross (1962) 11

Chairman
Hi
London
M.O.C.
Monument
Oiseau Lyre
Richmond
Seville
SPQR
Telefunken

Record company and labels

Annual sales
(in millions of dollars)

Mercury Records

Childcraft
Cumberland
Fontana
Limelight
Mercury
Mercury Wing
Philips
Playcraft
Smash
Storyteller Series

MGM Records--Verve

Ava
MGM
Verve

Pickwick International

Bravo
Cricket LP's
Design
Grand Prix
Happy Time
Hill Top
Hurrah
International Award
Kimberly
Rondo

\$4.1 (reported 4/30/62) ^{3/}

Premier Albums

Baronet
Celebrity
Coronet
Directional
Parade
Premier
Spinarama
Twinkle

\$4.2 (fiscal year ended
1/31/63 12/

RCA Victor

Bluebird
Camden
Groove
RCA Victor
Victrola

^{6/}
\$70 gross (estimate, 1/63)

Record company and labels	Annual sales (in millions of dollars)
Riverside Records	\$3 (1961) $\frac{1}{-}$
Battle	
Jazzland	
Offbeat	
Popside	
Riverside	
Washington	
Wonderland	
Roulette Records	
End	
Forum	
Gee	
Gone	
Roost	
Roulette	
Tico	
Tamla-Motown-Gordy	
Divinity	
Gordy	
Mel-o-dy	
Motown	
Soul	
Tamla	
VIP	
Workshop	
United Artists Records	over \$5 (1961) $\frac{1}{-}$
Ascot	
Contempo	
United Artists	
Vanguard Records	
Bach Guild	
Everyman	
Stereo Lab	
Vanguard Demonstration Records	
Vee Jay	
Vee Jay	\$3 gross (as of 1961) $\frac{13}{-}$
Warner Bros. -- Reprise	
Reprise	
Valiant	
Warner Bros.	
Word Records	
Word	\$2 net (1961, including $\frac{14}{-}$ distributing company)

- 1/ DuBois, pp. 11-13.
- 2/ "Does zeal or zowie sell culture?", Printers' Ink, August 3, 1962, p. 43.
- 3/ Moody's industrial manual, 1963.
- 4/ "Twist dive cuts Cameo dividends," Billboard, August 10, 1963, p. 6.
- 5/ "Capitol sales hit highest since '59," p. 1.
- 6/ "A big new sound blows out of Nashville," p. 68.
- 7/ Federal Trade Commission, p. 3.
- 8/ Exclusive of Universal Pictures Co. "Decca's \$2.8 million net its all-time high," p. 3.
- 9/ Grevatt, Ren. "Dot tried to get in record clubs, Wood tells FC[T]C hearing," Billboard, March 23, 1963, p. 6.
- 10/ Liberty acquired Imperial Records in 1963. As of 1962 Liberty's sales amounted to about \$7 million and Imperial's to about 2 million. 1963 Dun & Bradstreet million dollar directory. 1962.
- 11/ Grevatt, Ren. "Witness tells FTC hearing club hurts sales & profits," p. 8.
- 12/ "Premier sales up to record high," Billboard, June 1, 1963, p. 14.
- 13/ "Biggest little giants in disc industry," Ebony, November 1961, p. 81.
- 14/ "Religion on records," Time, December 14, 1962, p. 60.

Relative record company hits

The extent of concentration within the record industry is shown not only by the relative sizes of companies within the industry, but also by the ability of the smaller companies to secure large sales volumes on individual records. The nature of the record market is such that no one group can achieve a monopoly on the composition of popular songs, and with compulsory licensing it is likewise impossible for the major companies to secure exclusive recording rights to potential hits. Nevertheless, the major companies have the advantages of contracts with popular artists, more financial resources to use in achieving good recordings and in record promotion, established and widespread distribution systems, record clubs, and the financial ability to record a much greater number of records.

The following tables indicate to what extent these advantages have resulted in domination of the record market by the larger companies. The first of these tables, "Number of Singles in First Place on Billboard's Hot 100 Charts, 1948-1963," covers a period of sixteen years and relates only to those records which at some time during that period were the most popular single recordings. It should be noted that the list is headed by RCA Victor, Columbia, Capitol, and Decca (tied with Mercury in fourth position). These four companies recorded almost one-half or 100 of the 214 top singles. Thirty-seven companies accounted for the other first place records, with two of these, Mercury and MGM, each placing more than 10 records in the top position.

Number of Singles in First Place on Billboard's Hot 100 Charts, 1948-1963 ^{1/}

Record company ^{2/}	Number of records	
	Label	Company
RCA Victor	36	36
Columbia	25	
Epic	2	
Okeh	1	28
Capitol	18	18
Decca	13	
Brunswick	1	
Coral	4	18
Mercury	14	
Philips	2	
Smash	2	18
MGM	11	11
ABC-Paramount	8	8
Dot	7	7
Liberty	4	
Dolton	1	
Imperial	2	7
London	4	
Monument	1	
SPQR	1	6
Cadence	5	5
Atlantic	1	
Atco	2	4
Cameo		
Parkway	4	4
Roulette	4	4
Vee Jay	4	4

Record company ^{2/}	Number of records	
	Label	Company
Dimension	1	
Colpix	2	3
Laurie	2	
Le Grand	1	3
Chancellor	2	2
Era	2	2
Kapp	2	2
Scepter	2	2
Tamla	2	2
United Artists	2	2
Belton	1	1
Big Top	1	1
Canadian-American	1	1
Challenge	1	1
Clock	1	1
Dolphin	1	1
Dore	1	1
Fury	1	1
Garpax	1	1
Herald	1	1
Keen	1	1
Leader	1	1
Lute	1	1
Montel-Michele	1	1
Philles	1	1
Regent	1	1

Record company ^{2/}

	Number of records	
	Label	Company
Vanguard	1	1
Warner Bros.	<u>1</u>	<u>1</u>
	214	214

^{1/} Records are only counted the first time they reach first place.

^{2/} Record labels have been grouped by current common ownership where such information is available.

Source: "Discography--1948-1963," Billboard, December 28, 1963, sec. 2, pp. 95, 111.

The succeeding tables are more pertinent to the situation today. The first three of these show the number of single records, monaural LP's, and stereo LP's which the various record companies placed in the top 50 positions of Billboard's weekly charts during 1962 and the first six months of 1963. Beginning with the August 17, 1963 issue of Billboard it is stated that these charts are based on national retail sales and radio station airplay. In evaluating these tables it must be remembered that a record appearing only once in the fiftieth position on a Billboard chart is given equal weight with a record whose market power was such that it occupied first place for a number of weeks. It should be noted that both RCA Victor and Columbia occupied one of the top three positions on all three of the charts. Capitol, although ranking third with respect to stereo LP's and outranking RCA Victor in the number of monaural LP's, ranked only eighth together with Dimension on the singles chart, with Liberty, Cameo-Parkway, Mercury, Decca, and Tamla-Motown-Gordy exceeding it in number of hit singles. Decca failed to hold the fourth position on any of these charts, ranking sixth in singles, fifth in monaural LP's and being the ninth company in terms of stereo LP's. 452 records are included in the singles listings. Of these RCA Victor, Columbia, and Capitol accounted for 91, the remainder being records of 53 different companies. The total of records on the monaural LP charts by RCA Victor, Columbia, and Capitol was 93. 31 companies accounted for the remainder of the 244 records on these charts. RCA Victor, Columbia, and Capitol accounted for 111 records on the stereo LP charts. The remainder of the 210 records on these charts were the records of 23 other companies. It should be noted that many of the same record selections appeared on both the monaural and stereo LP charts.

Number of Singles in the Top 50 of Billboard's Hot 100 Charts,
1962 and First Six Months, 1963

Record company ^{1/}	1962 ^{2/}		First six months, 1963		Total ^{2/}	
	Label	Company	Label	Company	Label	Company
RCA Victor	20	20	17	17	37	37
Columbia	13		14		27	
Epic	<u>6</u>	19	<u>3</u>	17	<u>9</u>	36
Liberty	18		4		22	
Dolton			1		1	
Imperial	<u>6</u>	24	<u>1</u>	6	<u>7</u>	30
Cameo	9		5		14	
Parkway	<u>8</u>	17	<u>4</u>	9	<u>12</u>	26
Mercury	13		3		16	
Philips			3		3	
Smash	<u>4</u>	17	-	6	<u>4</u>	23
Decca	13		6		19	
Brunswick	-	13	<u>2</u>	8	<u>2</u>	21
Tamla	7		6		13	
Gordy			2		2	
Motown	<u>2</u>	10	<u>2</u>	10	<u>5</u>	20
Capitol	9	9	9	9	18	18
Dimension	4		4		8	
Colpix	<u>2</u>	13	<u>1</u>	5	<u>10</u>	18
Atlantic	5		4		9	
Atco	<u>8</u>	13	-	4	<u>8</u>	17
Warner Bros.	8		3		11	
Reprise	3				3	
Valiant	-	11	<u>1</u>	4	<u>1</u>	15

Record company	1/ 1962		First six months, 1963		Total 2/ Label Company	
	Label	Company	Label	Company	Label	Company
ABC-Paramount	10	10	3	3	13	13
London					3	
Hi	3				7	
Monument	4		3		2	
Seville	2		1		1	
SPQR	-	9		4		13
MGM	7		4		11	
Verve	2	9	-	4	2	13
Dot	10	10	2	2	12	12
Vee Jay	7	7	4	4	11	11
Roulette	4		4		8	
Tico	-	4	1	5	1	9
Kapp	3	3	5	5	8	8
Philles	3	3	5	5	8	8
Scepter	5		2		7	
Wand	2	7	1	3	3	10
Laurie	3		3		6	
Le Grand	2	5	-	3	2	8
Cadence	5	5	1	1	6	6
Del-Fi	5	5	1	1	6	6
Chess			1		1	
Argo	2	3	1	2	4	5
Hickory	5	5			5	5
Swan	4	4	1	1	5	5
United Artists	5	5			5	5
Duke	2	2	2	2	4	4

Record company	^{1/} Label	1962 ^{2/} Company	First six months, 1963 Label	Company	Total ^{2/} Label	Company
Musicor	3	3	1	1	4	4
Sue	2	2	2	2	4	4
Coed	3	3			3	3
Diamond	2	2	1	1	3	3
Era	3	3			3	3
King	2	2	1	1	3	3
Big Top			2	2	2	2
Caprice	2	2			2	2
Challenge	2	2			2	2
Chancellor	2	2			2	2
Fury	2	2			2	2
Garpax	2	2			2	2
Joe	2	2			2	2
Vanguard			2	2	2	2
Checker			1	1	1	1
Fabor			1	1	1	1
Fantasy			1	1	1	1
Fraternity			1	1	1	1
Hi-Fi			1	1	1	1
Jay-Gee						
Jubilee			1	1	1	1
Joy			1	1	1	1
Monogram			1	1	1	1
Moonglow			1	1	1	1
Old Town			1	1	1	1
Riverside						
Battle			1	1	1	1

Record company	^{1/}	1962 ^{2/}		First six months, 1963		Total ^{2/}	
		Label	Company	Label	Company	Label	Company
Serock				1	1	1	1
Tri-Disc				1	1	1	1
Zen				1	1	1	1

^{1/} Record labels have been grouped by current common ownership where such information is available.

^{2/} Labels with only one single on the charts during 1962 are not included.

Sources: Rolontz, Robert. "Victor again dominates singles," Billboard, July 6, 1963, pp. 3, 12.
"Victor tops in singles," Billboard, January 5, 1963, pp. 4, 8.

Number of LP's in the Top 50 of Billboard's Monaural Top LP's Charts,
1962 and First Six Months, 1963

Record company ^{1/}	1962 ^{2/}		First six months, 1963		Total ^{2/}	
	Label	Company	Label	Company	Label	Company
Columbia	25		13		38	
Epic	<u>3</u>	28	—	13	<u>3</u>	41
Capitol	18	18	12	12	30	30
RCA Victor	15	15	7	7	22	22
Warner Bros.	8		3		11	
Reprise	<u>5</u>	13	<u>1</u>	4	<u>6</u>	17
Decca	10		3		13	
Brunswick			1		1	
Coral	—	10	<u>1</u>	5	<u>1</u>	15
Dot	7	7	4	4	11	11
Liberty	2				2	
Dolton	2		2		4	
Imperial	<u>5</u>	9	—	2	<u>5</u>	11
Cameo	2				2	
Parkway	<u>6</u>	8	<u>1</u>	1	<u>7</u>	9
London	3		2		5	
Hi	2				2	
Monument	<u>2</u>	7	—	2	<u>2</u>	9
Atlantic	3				3	
Atco	<u>5</u>	8			<u>5</u>	8
Kapp	5	5	3	3	8	8
MGM	4		2		6	
Verve	—	4	<u>2</u>	4	<u>2</u>	8

Record company ^{1/}	1962 ^{2/}		First six months, 1963		Total ^{2/}	
	Label	Company	Label	Company	Label	Company
Mercury	5		1		6	
Philips	-	5	1	2	1	7
ABC-Paramount	5	5	1	1	6	6
Chess	5	5	1	1	6	6
Roulette	3	3	1	1	4	4
United Artists	4	4			4	4
Vanguard	3	3	1	1	4	4
Cadence	2	2	1	1	3	3
Jay-Gee					3	3
Jubilee	3	3				
Original Sound	2	2	1	1	3	3
Laurie			2	2	2	2
Riverside			1		1	
Battle			1	2	1	2
A & M			1	1	1	1
Blue Note			1	1	1	1
Dimension			1	1	1	1
Colpix			1	1	1	1
Everest			1	1	1	1
Fabor			1	1	1	1
Fantasy			1	1	1	1
Lenox			1	1	1	1
Musicor			1	1	1	1
Scepter			1	1	1	1

Record company	1/		2/		First six months, 1963		Total		2/	
	Label	Company	Label	Company	Label	Company	Label	Company	Label	Company
Tamla										
Motown			1	1	1	1	1	1		
Vee Jay			1	1	1	1	1	1		

- 1/ Record labels have been grouped by current common ownership where such information is available.
- 2/ Labels with only one LP on the charts during 1962 are not included.

Sources: "LP crown to Columbia," Billboard, January 5, 1963, pp. 4, 8.
Rolontz, Robert. "Columbia maintains LP edge," Billboard, July 6, 1963, p. 3.

Number of LP's on Billboard's Stereo Top LP's Charts (50 Best Sellers),
1962 and First Six Months, 1963

Record company	<u>1/</u>		<u>2/</u>		First six months, 1963		<u>2/</u>	
	Label	Company	Label	Company	Label	Company	Label	Company
RCA Victor	21	21	22	22	43	43		
Columbia	22		16		38			
Epic	<u>2</u>	24	<u>1</u>	17	<u>3</u>			41
Capitol	21	21	6	6	27	27		
Warner Bros.	4		4		8			
Reprise	<u>2</u>	9	<u>2</u>	6	<u>7</u>			15
Dot	9	9	4	4	13	13		
ABC-Paramount	3		1		4			
Command	<u>8</u>	11	-	1	<u>8</u>			12
London	7	7	4	4	11	11		
MGM	2		4		6			
Verve	<u>4</u>	6	<u>1</u>	5	<u>5</u>			11
Decca	7	7	1	1	8	8		
Kapp	4	4	1	1	5	5		
Liberty			1		1			
Dolton	<u>2</u>	2	<u>1</u>	2	<u>2</u>			4
United Artists	3	3			3	3		
Atlantic								
Atco	2	2			2	2		
Cadence	2	2			2	2		
Roulette	2	2			2	2		

Record company	<u>1/</u>	1962 <u>2/</u>		First six months, 1963		Total <u>2/</u>	
		Label	Company	Label	Company	Label	Company
A & M				1	1	1	1
Blue Note				1	1	1	1
Dimension Colpix				1	1	1	1
Fantasy				1	1	1	1
Hi-Fi				1	1	1	1
Lenox				1	1	1	1
Mercury Philips				1	1	1	1
Riverside				1	1	1	1
20th Century-Fox				1	1	1	1
Vanguard				1	1	1	1
Vee Jay				1	1	1	1

1/ Record labels have been grouped by current common ownership where such information is available.

2/ Labels with only one LP on the charts during 1962 are not included.

Sources: "LP crown to Columbia," Billboard, January 5, 1963, pp. 4, 8.

Rolontz, Robert. "Columbia maintains LP edge," Billboard, July 6, 1963, p. 3.

The last two tables show the 100 best selling singles and LP's in 1962 and the first ten months of 1963. By choosing the 100 best sellers in each time period, these tables avoid the major limitation of the three preceding tables by placing emphasis only on those records which ranked high on the charts during extended time periods.

However, the table of best seller LP's does have the limitations noted in footnote 3. RCA Victor, Columbia, and Capitol held the first three positions in both tables, with Decca ranking fifth with two other companies in singles and outranked by eight companies in LP's. RCA Victor, Columbia, and Capitol accounted for 46 of the 200 singles records and 93 of the 200 best seller LP's. 44 other companies placed records on the single best seller list and 28 other record firms had best selling LP's. Thus, the four major companies' position is much less dominant with respect to the single than to the LP best sellers.

100 Best Seller Singles in the First Ten Months, 1962 and in 1963 ^{1/}

Record company ^{2/}	First ten months, 1962		1963		Total	
	Label	Company	Label	Company	Label	Company
Columbia	2		9		11	
Epic	1		4		5	
Okeh	-		1		1	
		3		14		17
RCA Victor	7	7	9	9	16	16
Capitol	3	3	10	10	13	13
Cameo	4		2		6	
Parkway	2		4		6	
		6		6		12
Atlantic			3		3	
Atco	4		1		5	
Stax	1		-		1	
		5		4		9
Decca	5		3		8	
Brunswick	-		1		1	
		5		4		9
Warner Bros.	4		3		7	
Reprise			1		1	
Valiant	-		1		1	
		4		5		9
Laurie	3		2		5	
Le Grand	2				2	
Rust	-		1		1	
		5		3		8
London						
Chairman			1		1	
Hi	1				1	
Monument	1		2		3	
Seville	1				1	
SPQR	1		1		2	
		4		4		8
Mercury	2		2		4	
Philips			1		1	
Smash	2		1		3	
		4		4		8

Record company	2/ Label	First ten months, 1962		1963		Total	
		Label	Company	Label	Company	Label	Company
Tamla	1			3		4	
Gordy				2		2	
Motown	2			-		2	
			3		5		8
ABC-Paramount	4		4	3	3	7	7
Dot	2		2	4	4	6	6
Liberty	2			2		4	
Imperial	2			-		2	
			4		2		6
Dimension	1			1		2	
Colpix	2			1		2	
			3		2		5
MGM	3					3	
Verve	1			1		2	
			4		1		5
Roulette	2		2	2	2	4	4
Scepter	2			1		3	
Wand	1			-		1	
			3		1		4
Vee Jay	2		2	2	2	4	4
Chess	1			1		2	
Argo	1			-		1	
			2		1		3
Kapp	1		1	2	2	3	3
Philles	1		1	2	2	3	3
United Artists	2		2	1	1	3	3
Big Top	1		1	1	1	2	2
Cadence	2		2			2	2
Jamie	1					1	
Tear Drop	-			1		1	
			1		1		2
Musicor	2		2			2	2
Swan	1		1	1	1	2	2

Record company	First ten months, 1962		1963		Total	
	Label	Company	Label	Company	Label	Company
Tuff	1	1	1	1	2	2
Ace	1	1			1	1
AFO	1	1			1	1
Chancellor	1	1			1	1
Coed	1	1			1	1
Del-Fi	1	1			1	1
Dore	1	1			1	1
Enjoy	1	1			1	1
Era	1	1			1	1
Fabor			1	1	1	1
Fraternity			1	1	1	1
Galaxy			1	1	1	1
Hickory	1	1			1	1
Joy	1	1			1	1
Monogram	1	1			1	1
Old Town	1	1			1	1
Sue						
Symbol			1	1	1	1
Todd	1	1			1	1
Vanguard						
	<u>100</u>	<u>100</u>	<u>1</u> 100	<u>1</u> 100	<u>1</u> 200	<u>1</u> 200

^{1/} The best seller lists of single records are based on Billboard's weekly Hot 100 charts during these periods with, according to the December 29, 1962 issue of Billboard Music Week, the rank derived from the number of weeks each single was on the charts and its position each week. It is stated beginning with the August 17, 1963 issue of Billboard, that these charts are compiled from national retail sales and radio station airplay.

^{2/} Record labels have been grouped by current common ownership where such information is available.

Sources: "Hot 100-1963," Billboard, December 28, 1963, sec. 2, pp. 30, 31.

Record Industry Association of America. Statement in opposition to the recommendation of the Register of Copyrights that the compulsory license for the recording of music be eliminated from the Copyright Act. 1963. pp. 82, 83.

"Top 100 singles of 1962," Billboard Music Week, December 29, 1962, sec. 2, p. 82.

100 Best Seller LP's in the First Ten Months, 1962 and in 1963 ^{1/}

Record company ^{2/}	First ten months, 1962				1963		Total ^{3/}	
	Monaural		Stereo		Label Co.		Label Co.	
	Label	Co.	Label	Co.	Label	Co.	Label	Co.
Columbia	11		10		22		43	
Epic	<u>11</u>	11	<u>10</u>	10	<u>1</u>	23	<u>1</u>	44
Capitol	6	6	7	7	13	13	26	26
RCA Victor	7	7	8	8	8	8	23	23
Warner Bros.	1		3		7		11	
Reprise	<u>2</u>	3	<u>2</u>	5	<u>4</u>	11	<u>8</u>	19
ABC-Paramount	2		1		5		8	
Command	<u>2</u>	2	<u>1</u>	4	<u>1</u>	6	<u>4</u>	12
Cameo								
Parkway	4	4			3	3	7	7
MGM			2		2		4	
Verve			<u>1</u>	3	<u>2</u>	4	<u>3</u>	7
Dot	1	1	4	4	1	1	6	6
Atlantic	2						2	
Atco	<u>1</u>	3	<u>1</u>	1	<u>1</u>	1	<u>3</u>	5
Decca	1		1		1		3	
Coral	<u>1</u>	2	<u>1</u>	1	<u>1</u>	2	<u>2</u>	5
Liberty					1		1	
Dolton					2		2	
Imperial	<u>1</u>	1	<u>1</u>	1	<u>1</u>	3	<u>2</u>	5
United Artists	2	2	2	2	1	1	5	5
Vanguard	2	2			3	3	5	5
Mercury	1				2		3	
Philips	<u>1</u>	1			<u>1</u>	3	<u>1</u>	4

Record company ^{2/}	First ten months, 1962		1963		Total ^{3/}	
	Monaural Label Co.	Stereo Label Co.	Label	Co.	Label	Co.
Jay-Gee Jubilee	2	2	1	1	3	3
London Monument		1	1		2	
		-	1	2	1	3
Cadence			2	2	2	2
Kapp		1 1	1	1	2	2
Original Sound	1	1	1	1	2	2
Roulette	1	1			2	2
Vee Jay			2	2	2	2
Audio-Fidelity		1 1			1	1
Big Top			1	1	1	1
Dimension Colpix			1	1	1	1
Duke			1	1	1	1
King			1	1	1	1
Laurie	1	1			1	1
Riverside			1	1	1	1
Scepter			1	1	1	1
Sue			1	1	1	1
Tamla			1	1	1	1
20th Century-Fox	<u>50</u>	<u>50</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	50	50	100	100	200	200

- 1/ The best seller lists of LP records are based on Billboard's weekly Top LP's charts during these periods with, according to the December 29, 1962 issue of Billboard Music Week, the rank derived from the number of weeks each LP was on the charts and its position each week. Prior to August 17, 1963, Billboard contained two weekly Top LP's charts, one showing the top 150 monaural LP's and the other containing the top 50 stereophonic LP's. At that time it combined these charts into one chart of 150 LP's. The popularity of both the monaural and the stereo recordings of a selection as measured by national retail sales and radio station airplay determines the selection's rating. Thus, the 1962 best seller lists show the 50 top monaural and the 50 top stereo LP's, while the 1963 list includes the top 100 LP records.
- 2/ Record labels have been grouped by current common ownership where such information is available.
- 3/ The limitations of this column in denoting the distribution of LP best sellers should be noted. According to Billboard of August 17, 1963, "Today the ratio of mono sales and stereo sales on hit product, with few exceptions, is much closer to a 50-50 ratio than ever before." (p. 3). Thus, the 1962 lists of 50 monaural and 50 stereo LP's include many of the same record selections and the summation of these lists instead of giving an accurate picture of the 100 top LP's (comparable to the 1963 list) includes twice records with high ratings on both charts at the expense of less popular LP's which otherwise would be included. This overconcentration on top selling records in 1962 is indicated by the fact that the 1962 lists include records of only 26 different labels, while 37 labels are represented on the 1963 best seller listing.

Sources: "Leading LP's-1963" Billboard, December 28, 1963, sec. 2, p. 36.
"Top Mono and stereo LP's of 1962," Billboard Music Week, December 29, 1962, sec. 2, p. 93.

Recording artists

The market power of a new record depends not only upon the public appeal of the composition, but also, and often more, upon the popularity of the recording artist. Recording by an established artist means a boost to the market potential of a new composition. This importance of the popular artist as a sales asset is evidenced by the emphasis placed upon the artist in record advertisements.

Unlike the work of composers and authors, which under compulsory licensing can never be the exclusive property of one record company, recording artists generally work under exclusive contract with one firm. The discovery and recruitment of new musical talent is thus an integral part of record manufacturing, for one of the most important assets of any record company is the artists whom it has under contract.

It would be impossible to determine the relative importance of the composition and the artist in making a best seller, for each new record hit presents its own combination of composition, musical instrument, and human voice which at that particular time appeals to the changing public fancy. There is available, however, information as to the recording artists who during the past sixteen years have placed single records in first place on Billboard's Hot 100 Charts, as is shown in the following table.

Recording Artists Placing More than One Single in First Place
on Billboard's Hot 100 Charts, 1948-1963 ^{1/}

Artist	Label or labels	Number of records
Elvis Presley	RCA Victor	17
Perry Como	RCA Victor	5
Everly Brothers	Cadence 3, Warner Bros. 1	4
Tony Bennett	Columbia	3
Pat Boone	Dot	3
Ray Charles	ABC-Paramount	3
Chubby Checker	Parkway	3
Rosemary Clooney	Columbia	3
Nat King Cole	Capitol	3
Percy Faith	Columbia	3
Eddie Fisher	RCA Victor	3
The 4 Seasons	Vee Jay	3
Connie Francis	MGM	3
Patti Page	Mercury	3
The Platters	Mercury	3
Paul Anka	ABC-Paramount	2
Frankie Avalon	Chancellor	2
Teresa Brewer	London, Coral	2
Doris Day	Columbia	2
The Fleetwoods	Dolphin, Dolton	2
Frankie Laine	Mercury	2
Brenda Lee	Decca	2
Guy Mitchell	Columbia	2
Vaughn Monroe	RCA Victor	2
Rick Nelson	Imperial	2
Les Paul and Mary Ford	Capitol	2
David Seville and the Chipmunks	Liberty	2
The Shirelles	Scepter	2
Jo Stafford	Columbia	2
Kay Starr	Capitol, RCA Victor	2
Bobby Vinton	Epic	2
		<u>2</u>
		94

^{1/} Records are only counted the first time they reach first place.

Source: "Top artists - 1948-1963," Billboard, December 28, 1963, sec. 2, p. 114.

During the years from 1948 through 1963 211 records held first place on these charts. These records were recorded by some 148 recording artists. Thirty one of these artists placed more than one record on the top and together accounted for 94, or about 45%, of these leading records. The most impressive aspect of this table is the popularity of Elvis Presley, who during a period when no other artist placed more than five records in first place, accounted for seventeen leading singles. Although this table shows the sustained market power which a number of artists have held, its significance for the present is limited both because of its historical nature and because it is restricted to those records in first place.

An indication of the importance of the recording artist in today's market is shown in the next table, "Recording Artists Placing More than One Single on the Billboard Hot 100 Charts of January 5, 1963, July 6, 1963, and December 7, 1963".

Recording Artists Placing More than One Single on the Billboard Hot 100 Charts of January 5, 1963, July 6, 1963, and December 7, 1963

Recording artist	Number of records			Total
	January 5, 1963	July 6, 1963	Dec. 7, 1963	
Rick Nelson	2	2	2	6
Beach Boys	1	2	2	5
Ray Charles	2	2	1	5
Chubby Checker	1	1	2	4
Bobby Vinton	2	1	1	4
Cookies	1	1	1	3

Recording artist	Number of records			Total
	January 5, 1963	July 6, 1963	Dec. 7, 1963	
Crystals	2	1		3
Sammy Davis, Jr.	2		1	3
Dion	1	2		3
Connie Francis	2	1		3
Lesley Gore		2	1	3
Steve Lawrence	1	1	1	3
Gene Pitney	1	1	1	3
Elvis Presley	1	1	1	3
Del Shannon	1	1	1	3
Bobby Vee	1	1	1	3
Steve Alaimo	1		1	2
Angels			2	2
Bobby Bare		1	1	2
Bob B. Soxx & the Blue Jeans	1	1		2
Tony Bennett	1	1		2
Brook Benton	1	1		2
Johnny Cash		1	1	2
Chiffons		1	1	2
Lou Christie	1	1		2
Nat King Cole	1	1		2
Johnny Crawford	2			2
Bobby Darin		1	1	2
Drifters	1	1		2
Essex		1	1	2
Four Seasons	1	1		2
Inez Foss		1	1	2
Marvin Gaye		1	1	2
Erian Ryland	1	1		2
Chuck Jackson		1	1	2
Jan & Dean		1	1	2
Brenda Lee	1	1		2
Little Eva	1	1		2
Little Peggy March		1	1	2
Martha & the Vendellas		1	1	2
Marvelettes	1		1	2
Garnet Mimms and the Enchanters			2	2
Miracles	1		1	2
New Christie Minstrels		1	1	2
Orions	1	1		2
Paul & Paula	1	1		2
Peter, Paul & Mary		1	1	2
Paul Petersen	1		1	2
Marty Robbins	1		1	2
Ruby & the Romantics		1	1	2

Recording artist	Number of records			Total
	January 5, 1963	July 6, 1963	Dec. 7, 1963	
Robby Rydell		1	1	2
Dee Dee Sharp	1	1		2
Shirelles	1	1		2
Tymes		1	1	2
Dionne Warwick	1		1	2
Mary Wells	1	1		2

Sources: "Billboard Hot 100," Billboard, January 5, 1963, p. 22; July 6, 1963, p. 20; December 7, 1963, p. 16.

This table shows recording artist strength for three weeks in 1963. Although these weeks have been chosen at random, they have been spaced so that (in view of the short life of popular records) the records on each chart are different. It is interesting to note that very few recording artists were able to place two records among the 100 top singles in any week and that none had three best sellers at one time. Thus, on the January 5, 1963 chart only seven artists had two top singles and only five artists were able to place two records on the July 6, 1963 and December 7, 1963 charts. On the other hand, although no recording artist or group of artists comes anywhere near dominating the weekly Hot 100 charts, a number of artists have the sustaining popularity to continue to place new single records on the charts. Thus, there were eleven recording artists with at least one record on all three charts and 42 additional artists who appeared on two of the charts.

In view of the market power of established recording artists, the distribution of record artists by company is an indication, together with

company sales and hit records, of the extent of concentration in the record industry. The table, "Listing by Record Company of Number of Recording Artists Placing More than One Single in First Place on Billboard's Hot 100 Charts, 1948-1963", shows that 12 of the 35 artists included recorded for RCA Victor and Columbia and accounted for 45, or almost one-half, of the 94 records on the chart. Capitol Records accounted for six records, while Decca made a less impressive showing.

Listing by Record Company of Number of Recording Artists
Placing More than One Single in First Place on Billboard's Hot 100 Charts,
1948 - 1963 ^{1/}

Record company ^{2/}	Number of artists		Number of records	
	Label	Company	Label	Company
RCA Victor	5	5	28	28
Columbia	6		15	
Epic	<u>1</u>		<u>2</u>	
		7		17
Mercury	3	3	8	8
Capitol	3	3	6	6
ABC-Paramount	2	2	5	5
Liberty	1		2	
Dolton	1		1	
Imperial	<u>1</u>		<u>2</u>	
		3		5
Cadence	1	1	3	3
Cameo-Parkway	1	1	3	3
Decca	1		2	
Coral	<u>1</u>		<u>1</u>	
		2		3

Record company ^{2/}	Number of artists Label	Company	Number of records Label	Company
Dot	1	1	3	3
MGM	1	1	3	3
Vee Jay	1	1	3	3
Chancellor	1	1	2	2
Scepter	1	1	2	2
Dolphin	1	1	1	1
London	1	1	1	1
Warner Bros.	1	1	1	1
	<u>35</u> 3/	<u>35</u> 3/	<u>94</u>	<u>94</u>

- 1/ Records are only counted the first time they reach first place.
- 2/ Record labels have been grouped by current common ownership where such information is available.
- 3/ Four of the 31 artists placing two or more singles on the charts recorded for two record companies.

Source: "Top artists - 1948-1963," Billboard, December 28, 1963, sec. 2, p. 114.

It is interesting to compare this table with the related table, "Number of Singles in First Place on Billboard's Hot 100 Charts, 1948-1963", in the section "Relative record company hits." Of the 36 singles which RCA Victor placed in the top Billboard position over a sixteen year period, 17 or almost one-half, were recordings of Elvis Presley, and five artists accounted for all but eight of the single records. For Columbia seven artists accounted for seventeen of the 28 records which reached first place during this same period.

Granted the prevalence of exclusive contracts in the record industry, it is important to determine the mobility of the individual artists. In the table showing a number of the most popular artists in the 1948-1963 period, only 4 of these 31 artists recorded for two different labels. However, in May 1963 Billboard published an article noting the large number of recording artists who had recently changed label. This mobility was occurring not only among artists who were in a popularity slump, but also among those who were heading the market. According to Billboard, there was no single reason accounting for this sudden increase in mobility. Some artists were moving to firms where they would get more attention, some wanted better financial guarantees and money, while others were interested in joining a company which would give them the freedom of setting up their own producing firm.^{1/}

There follows a table showing label "jumping" in the year or so preceding May 1963. 38 so-called "key" artists changed companies during this period. There is, of course, great difference in the market power of the artists involved in this movement. For this reason, the names of the recording artists have been included and the limitations of listing these artists as equals must be recognized. However, it is most significant that the movement of artists was not in one direction toward the 'big four' firms, but rather involved artists both leaving and joining the larger companies. Thus, although Columbia acquired seven artists, it

^{1/} "Label jumps have trade in a whirl," Billboard, May 25, 1963, pp. 1, 52.

lost Johnny Mathis and Duke Ellington. RCA Victor gained four artists and lost three, while both Capitol and Decca suffered a net loss in key artists, with Capitol gaining three and losing five and Decca losing four artists, but gaining the popular artist, Rick Nelson. The most significant feature of the chart is the movement of nine artists to Warner Bros.,- Reprise from both large and medium-sized record companies.

Key Recording Artists Changing Label During Year or so Prior to May, 1963

<u>Record company</u>	<u>Artist joining record company</u>			<u>Artist leaving record company</u>		
	Artist	Label which artist left	<u>Number</u> <u>Label' Co.</u>	Artist	Label to which artist moved	<u>Number</u> <u>Label' Co.</u>
Warner Bros.	Johnny Mathis	Columbia	1			
Reprise	Keely Smith	Capitol				
	Duke Ellington	Columbia				
	Rosemary Clooney					
	Erroll Garner	ABC- Paramount				
	McGuire Sisters	Coral				
	Dean Martin	Capitol				
	Sammy Davis	Decca				
	Disay Gillespie	Verve	$\frac{1}{8}$			$\frac{1}{9}$
Columbia	Steve Lawrence and Eydie Gorme	United Artists		Johnny Mathis	Warner Bros.	
	Dion	Laurie		Duke Ellington	Reprise	

Record company	Artist joining record company			Artist leaving record company		
	Artist	Label which artist left	Number Label' Co.	Artist	Label to which artist moved	Number Label' Co.
Columbia	Andy Williams	Cadence				
	Vladimir Horowitz	RCA Victor				
	Eddie Hodges	Cadence				
	Patti Page	Mercury				
	Thelonious Monk	River-side	7 7			2 2
RCA Victor	Paul Anka	AEC-Paramount		Vladimir Horowitz	Columbia	
	Sonny Rollins	Brooklyn Bridge		Hugo Winterhalter	ABC-Paramount	
	Duane Eddy	Jamie	3	Brother Dave Gardner	Capitol	3
Groove	Johnny Cash	AEC-Paramount	1 4			
Mercury	Faron Young	Capitol	1	Patti Page	Columbia	
				George Jones	United Artists	2
Philips	Teresa Brewer	Coral				
	Dizzy Gillespie	Verve	1/ 2 1/ 3 1/			
Cameo-Parkway	Maynard Ferguson	Roulette	1 1			
Dot	Louis Prima	Capitol	1 1			
Hickory	Ernest Ainsworth	Decca	1 1			
London Monument	Grandpa Jones	Starday	1 1			

Record company	Artist joining record company			Artist leaving record company			
	Artist	Label which artist left	Number <u>Label'</u> <u>Co.</u>	Artist	Label to which artist moved	Number <u>Label'</u> <u>Co.</u>	
ABC- Para- mount	Hugo Winter- halter	RCA Victor		Paul Anka	RCA Victor		
	Fats Domino	Imperial	2	Eroll Garner	Reprise		
				Johnny Cash	Groove	3	
Command	Pittsburgh Symphony	Capitol	1				3
MGM Verve	Jimmy Smith	Blue Note		Mel Torme	Atlantic		
	Count Basie	Roulette	2	2 Dizzy Gillespie	Philips- Reprise	2	2
Atlantic Atco	Mel Torme	Verve	1				
			-	1 Bobby Darin	Capitol	1	1
United Artists	George Jones	Mercury	1	1 Steve and Eydie	Columbia	1	1
Blue Note				Jimmy Smith	Verve	1	1
Brooklyn Bridge				Sonny Rollins	RCA Victor	1	1
Deltone				Dick Dale	Capitol	1	1
Jamie				Duane Eddy	RCA Victor	1	1
Laurie				Dion	Columbia	1	1
Riverside				The- lonious Monk	Columbia	1	1
Starday				Grandpa Jones	Monument	1	1

Record company	Artist joining record company			Artist leaving record company		
	Artist	Label which artist left	Number <u>Label</u> Co.	Artist	Label to which artist moved	Number <u>Label</u> Co.
Capitol	Bobby Darin	Ateo		Pittsburgh Symphony	Command	
	Brother Dave Gardner	RCA Victor		Louis Prima	Det	
	Dick Dale	Deltone		Keely Smith	Reprise	
			3 3	Faron Young	Mercury	
				Dean Martin	Reprise	5 5
Cadence				Andy Williams	Columbia	
				Eddie Hodges	Columbia	2 2
Roulette				Maynard Ferguson	Cameo-Parkway	
				Count Basie	Verve	2 2
Decca	Rick Nelson	Imperial		Ernest Ainsworth	Hickory	
			1	Sammy Davis	Reprise	2
Coral				McGuire Sisters	Reprise	
			-	Teresa Brewer	Philips	<u>2</u>
Liberty			1	Alvin, Theodore & Simon Chipmunk		1 4
				Fats Domino	ABC-Paramount	
Imperial				Rick Nelson	Decca	<u>2</u> 3

1/ Dizzy Gillespie is listed as moving from Verve to Philips-Reprise.

Source: "Label jumps have trade in a whirl," Billboard, May 25, 1963, p. 52.

There is no means of predicting whether this high degree of mobility will continue, but so long as it does and so long as the movement is not exclusively toward the largest companies, it would appear that despite the existence of exclusive contracts, the big four do not dominate the supply of popular recording artists.

The established artist as an important market factor has strong bargaining power vis à vis the record companies. The going rate of artist royalties is 5% of the list price of single records and 20 cents on a standard 12-inch LP album.^{1/} However, a number of singles artists are receiving considerably more than 5%, with some reportedly getting up to 10%, and according to Robert Rolontz, "today there are artist pacts that call for close to \$1 million in guarantees over a 10-year period."^{2/} Furthermore, the competition for recording artists has resulted in contracts under which the record company pays recording session costs, the artist chooses his own material, and the company agrees to the placing of advertisements on new releases by the artist. Established artists have even been able to force companies to enter into new contracts with such concessions by implying they will join another company at the termination of their existing contract. On the other hand, if the artist has contracted to receive his royalties over a number of years for income tax purposes, he is less inclined to leave the company and receive all his royalties at that time.^{3/} As shown below in the section

^{1/} Grevatt, Ren. "The artist as businessman," High Fidelity Magazine, June 1963, pp. 32-34, 97.

^{2/} Rolontz, Robert. "There's gold in them thar record contract concessions," Billboard Music Week, August 4, 1962, p. 43.

^{3/} Ibid., pp. 4, 43.

on interownership, today's recording artist often has the independence of owning his own record company and music publishing firms.

It is not only the featured recording artist, but also the accompanying musicians who contribute to a record's success. In December 1963 the American Federation of Musicians presented new contract demands calling for an increase in the present minimum of \$56 for a three hour recording session to \$61 effective January 1, 1964, \$65 in 1965, and \$69 in 1966. Union members at present receive double time premium pay during certain recording hours and have a twenty minute break during a three hour recording session. Record companies make a 8% payment to the union pension fund^{1/} as well as making a royalty payment amounting to about one cent on a 98 cent single record to the Music Performance Trust Fund.^{2/}

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- ^{1/} Maher, Jack. "AFM lays down demands to firms," Billboard, December 21, 1963, p. 1.
^{2/} Rolontz, Robert. How to get your song recorded. p. 53.

Radio stations

Radio stations are both a market outlet for phonograph records and an important means of record promotion, and their role in both areas has increased appreciably during the past decade. In its 1963 radio program directors survey, Billboard found that whereas in 1953 an AM radio station had purchased on the average 10 single records a week, in 1963 it was buying 12.8 singles. More significant is the increase in the average number of LP's purchased from 3 per month in 1953 to 4.8 per week in 1963. The average annual appropriation of a radio station for record purchases increased from \$450.17 in 1953 to \$242.63 for singles and \$399.29 for LP's, or a total of \$641.92 in 1963.^{1/} Billboard does not state how many radio stations were included in its 1963 survey. However, as of September 30, 1963 there were 3,887 AM radio stations,^{2/} which would make a total appropriation for record purchases of about \$2.5 million. This expenditure compared with the \$570 million or \$651 million of phonograph record sales in 1962 shows that radio stations are not a very important direct sales outlet for the record manufacturer.

However, despite their relatively small proportion of record purchases, radio stations play a highly significant role in record promotion. The importance with which this role is regarded in the record industry is indicated by the number of free records which are furnished to radio stations by record companies, music publishers, distributors,

1/ "Billboard 1963 radio program directors survey," Billboard, April 6, 1963, p. 36.

2/ "The dimensions of broadcasting," Broadcasting, 1964 yearbook issue, p. 8.

and other sources. The receipt of free records is much greater than radio station record purchases, for in 1963 radio stations received an average of 69.6 free singles and 8.5 free LP's per week. ^{1/}

In this connection it should be noted that in the 1960 investigation of deceitful practices in radio and television by the Special Subcommittee on Legislative Oversight of the House Committee on Interstate and Foreign Commerce it was revealed that certain disk jockeys were receiving 'payola', i.e. financial payoffs in return for the special broadcast exposure of particular phonograph records. The disclosure of this and comparable practices resulted in the 1960 enactment of the Communications Act Amendments, 1960, with Section 8 (a) of this statute providing that Section 317 of the Communications Act of 1934 was to be amended as follows, in part:

Sec. 317. (a) (1) All matter broadcast by any radio station for which any money, service or other valuable consideration is directly or indirectly paid, or promised to or charged or accepted by the station so broadcasting, from any person, shall, at the time the same is so broadcast, be announced as paid for or furnished, as the case may be, by such person. Provided, That 'service or other valuable consideration' shall not include any service or property furnished without charge or at a nominal charge for use on, or in connection with, a broadcast unless it is so furnished in consideration for an identification in a broadcast of any person, product, service, trademark, or brand name beyond an identification which is reasonably related to the use of such service or property on the broadcast. (74 Stat. 895)

The House Committee on Interstate and Foreign Commerce which approved the changing of section 317 to the wording quoted above, specifically set

^{1/} "Billboard 1963 radio program directors survey," p. 36.

forth the intention of this section with respect to the provision of free records. The Committee stated that no announcement would be required on the playing of free records unless the station or disc jockey received a payment in the form of cash or other property, the supplier furnished more copies of a recording than was needed for broadcast purposes, or it was understood that the disc jockey in return for the record was to give it special plugging and this identification of the record was beyond that reasonably related to the record's use.^{1/}

Although according to a Billboard survey, in 1953 AM radio stations played on the average all but 9.8% of the free single records they received, with 68.8% of these records played more than once, in 1963 61.6% of the free singles received were never played and only 23.7% were played more than once. Thus, with the great increase in the number of new single record releases, it has become more difficult to secure radio exposure.^{2/} Nevertheless, in 1963 radio stations were programming an average of 14.1 new singles a week, with the number varying from an average of 16.9 singles for radio stations of less than 1,000 watts to an average of 10.0 records for 50,000 watt stations.^{3/} It is easier to get radio exposure of LP records, for in 1963 66.0% of the free LP's received were played more than once.^{4/}

^{1/} U. S. Congress. House of Representatives. Committee on Interstate and Foreign Commerce. Communications Act amendments, 1960, Report, June 13, 1960. (86th Cong., 2d Sess., House Report 1800) Washington, U. S. Govt. Print. Off., 1960. pp. 20, 21.

^{2/} "Billboard 1963 radio program directors survey," p. 36.

^{3/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 22.

^{4/} "Billboard 1963 radio program directors survey," p. 36.

Radio stations feature recorded music considerably more now than they did a decade ago. Thus, whereas in 1953 47% of broadcasting time was devoted to record shows, in 1963 almost 80% of air time was spent in record programming. In absolute terms the average time per week which radio stations devoted to record shows increased from 53.2 hours in 1953 to 97.8 hours in 1963. This increase has been attributed to the growth of television which has supplanted radio as the broadcasting medium for dramatic shows, quiz shows, etc. In addition, the low cost and absence of rehearsal time for record programming as compared with live shows have made record shows attractive for radio.^{1/} There has also been a shift since 1953 towards the broadcasting of LP's which now account for about one-half of radio record programming as compared with an insignificant share ten years ago.^{2/} In addition, the increase in record show time has emphasized the broadcasting of general popular music as opposed to more specialized types of music.^{3/}

Unlike juke box operators, radio stations must pay a performance royalty for the playing of copyrighted musical compositions. It was estimated in 1963 that the royalties paid in radio to the licensing organizations, the American Society of Composers, Authors & Publishers (ASCAP), Broadcast Music, Inc. (BMI), and SESAC are approximately $3\frac{1}{2}\%$ of

^{1/} "Billboard 1963 radio program directors survey," p. 35.

^{2/} Ibid., p. 40.

^{3/} Ibid., p. 35.

time sales, on which they are based.^{1/} More specifically, most radio stations have blanket licenses with ASCAP under which they have unlimited use of ASCAP music. The fee paid to ASCAP under this license is 2.125% of the station's revenue after certain deductions.^{2/} Music publisher members of BMI receive 6 cents for each song performance for network use and 4 cents for each song performance on local radio. The writers receive 3 cents on network playing of a song and 2 cents for a local radio performance, with more established writers receiving 4 $\frac{1}{2}$ cents and 3 cents for network and local performances, respectively.^{3/} Presumably, radio payments to BMI would be at a level approximating these payments.

In view of the ownership of BMI by networks and broadcast stations, there have been allegations that the broadcasting industry favors the music of BMI publishers. It should be noted in this connection that BMI does not pay dividends and that the strong position of BMI on the singles popularity charts may be due in part to the differences in the distribution of ASCAP and BMI writer royalties which, according to Robert Rolontz, contributes to the following situation:

There is a general feeling in the music trade that if a writer is composing the type of material that he feels has lasting value, or if he is writing show tunes or special material, he might be better off joining ASCAP. On the other hand, if a writer is interested mainly in current pop hits, the type that might not stay around after their vogue is over, he might be better off joining BMI.^{4/}

It has been estimated that in 1962 radio stations paid ASCAP \$9.86 million.^{5/} The percentages of AM radio stations holding music clearance

^{1/} Coin-operated machines, p. 43.

^{2/} "ASCAP offers new radio formula," Broadcasting, April 20, 1964, p. 48.

^{3/} Rolontz, Robert. How to get your song recorded. pp. 43, 46, 47.

^{4/} Ibid., p. 43.

^{5/} "ASCAP offers new radio formula," p. 48.

licenses with the three licensing organizations follows:

	1953	1963
BMI	98.2%	98.9%
ASCAP (blanket license)	94.6%	95.4%
ASCAP (per program)	5.0%	1.9% 1/
SESAC	83.1%	78.6%

1/ "Billboard 1963 radio program directors survey," p. 40.

Distributors

Most phonograph records are sold by the record companies to their distributors. In the record industry each distributor handles only those labels for which he is granted a franchise by a record company; he may handle the records of only one or of a number of companies. The distributor is given a specific geographical area to serve and is shipped a certain quantity of records to sell, according to the size of his market. Generally, a distributor is expected to meet a sales quota in order to retain his franchise.

There are at present about 500 distributors in the United States. About 300 of these are independent operators, while the remainder are operated by record companies. Columbia, RCA-Victor, Capitol, Decca, and King rely almost entirely on their own distribution branches, while Dot and Liberty use both their own branches and independent distributors. ^{1/} Other record companies sell their records to independent distributors. Not only are many distributors owned by record companies, but a number of distributors are engaged in other parts of the record business, such as the operation of one stops and retail outlets. The interrelationships of the distributor with these other industry levels are discussed below in the section "Interownership."

Until the 1950's the distributor was the only middle man between the record company and the retail outlet. The selling of records was a three stage operation, from manufacturer to distributor to retailer to

^{1/} Dual distribution, v. 5, pp. 1138-1141, 1145.

consumer. Today, however, the industry's marketing structure is much more complex as a new level of subdistributors has been introduced. The distributor's sales directly to the record dealer have decreased in importance as his sales to subdistributors - one stops and rack jobbers - have increased. There follows a table showing the composition of the independent distributors' market and the relative importance of each market segment. A second table, also based on a survey of independent distributors, shows their credit arrangements with these record outlets.

Relative Shares of Total Dollar Volume of Distributors' Business,
Done by Different Record Outlets, 1963

	Approximate share of total dollar volume (average of all distribu- tors replying)	Change since a year ago (Percent of all distributors replying)		
		Accounts increased	Accounts decreased	Accounts about same
Traditional record dealers (including department stores not noted as discounters)	32.7%	6.3%	78.1%	15.6%
Rack jobber accounts (including those owned by distributor himself)	27.8%	28.6%	10.7%	60.7%
One stop accounts (in- cluding those owned by distributor himself)	17.5%	13.8%	13.6%	72.6%
Large discount outlets (for which records are only a part of the total business)	15.7%	64.3%		35.7%
Leased departments operated by distributor	1.9%	42.9%	7.1%	50.0%
Other types (appliance stores, juke operators, high fidelity stores, etc.)	4.5%			

Source: "Billboard 1963 survey of independent record distributors,"
Billboard, June 29, 1963, p. 14.

Credit Arrangements with Different Record Outlets, 1963

	Rack jobbers <u>1/</u>	Big users (discounters, chains, etc.)	One stops	Traditional dealers
COD or within 10 days	9.7%	5.7%	5.6%	13.7%
30 to 60 days	62.8%	77.8%	76.0%	68.8%
60 to 90 days	12.2%	12.0%	14.0%	10.9%
90 to 120 days	6.4%	4.5%	.4%	4.0%
Over 120 days	5.5%		4.0%	2.6%

1/ It has also been reported that 50% of rack jobbers surveyed have credit arrangements with their suppliers to pay bills in 30 days, slightly less than 15% have such arrangements for from 30 to 60 days, and a little more than 30% of the rack jobbers have credit arrangements for a 30-60-90 day period. "Profile of a rack jobber...", Billboard, March 9, 1963, p. 10.

Source: "Billboard 1963 survey of independent record distributors," p. 18.

The distributor carries out promotional activities and plays an important role in launching potential record hits. However, today's market structure has brought many changes to the distributor's traditional role and has presented new problems. In this connection, it is interesting to note that it was the independent distributors' association, the American Record Manufacturers & Distributors Association, which strongly urged the convening of a Federal Trade Commission trade practice convention. The distributors are concerned with preventing their functions and their relationship with the record manufacturer from being encroached upon by the subdistributor as well as with the practice of transshipping, whereby a distributor in danger of not meeting his quota sells his surplus records at a low price in another distributor's area. A discussion of these problems is found in the subsequent section "Pricing and marketing."

One Stops

The one stop is a subdistributor of phonograph records who carries all record lines in a central outlet for the convenience of bulk purchasers. One stops came into existence in the mid 1940's to enable juke box operators to buy all their single records from one outlet rather than from a number of distributors. There are now some 200 one stops of appreciable size who offer their customers the convenience of having competitive items in one place and of having one account payable and one delivery.

As noted in the preceding section, one stops account for about 17.5% of distributors' total dollar business. They distribute more than half^{1/} of all single records. Between the spring of 1962 and the spring of 1963, 84.6% of the one stops surveyed by Billboard reported an increase in business volume, averaging 30.2%, while only 15.4% of the one stops reported a business decrease, with this decline averaging 14.5%.

Today almost all one stops carry long playing records as well as singles. In its survey, Billboard found that on the average one stops are selling two single records for each LP sold.^{2/} The average relative dollar volume accounted for by different records follows:

Singles (45 rpm)	53.1%
LP's (regular price) (33-1/3 rpm)	37.8%
LP's (budget price) (33-1/3 rpm)	5.7%
Kiddie records	1.9%
EP's (extended play) (45 rpm - 4 tunes)	.7%
Other (including cut-outs ^{3/})	.8% ^{4/}

^{1/} Dual distribution, v. 5, pp. 1139, 1141, 1161, 1162.

^{2/} "Billboard 1963 survey of one stops," Billboard, June 29, 1963, p. 23.

^{3/} Records discontinued from open stocks of manufacturers or distributors.

^{4/} "Billboard 1963 survey of one stops," p. 20.

One stops now serve small, unaffiliated record retailers, who buy approximately two-fifths of their singles and one-fifth of their LP's from one stops,^{1/} as well as juke box operators, who purchase about three-fourths of their records from one stop outlets.^{2/}

Relative Shares of Total Dollar Volume of One Stops' Business Accounted for by Different Customers

	Approximate share of total dollar volume (average of all one stops replying)		Change from 1962 to 1963 (Percent of all one stops replying)		
	1963	1958	Accounts increased	Accounts decreased	Accounts about same
Juke operators	28.2%	42.1%	33.3%	27.8%	38.9%
Retail record stores (not including chains and discounters)	56.1%	52.9%	38.9%	38.9%	22.0%
Rack jobbers	7.8%	1.3%	44.5%		55.5%
Other outlets (including chains, discounters and post exchanges)	7.9%	3.7%	57.1%		42.9%

Source: "Billboard 1963 survey of one stops," Billboard, June 29, 1963, p. 20.

Credit Arrangements with Different Customers, 1963

	Juke operators	Retail record stores	Rack jobbers	Others (including discounters and chains)
COD or within 10 days	57.6%	36.2%	35.7%	16.7%
30 to 60 days	41.5%	60.9%	64.3%	83.3%
Over 60 days	.9%	2.6%		

Source: "Billboard 1963 survey of one stops," p. 20.

^{1/} "Billboard survey of retail outlets," Billboard, July 27, 1963, p. 18.
^{2/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

The Billboard survey showed that 83.3% of the one stops responding engaged in another facet of the record business. These interrelationships are detailed in the section, "Interownership", and the section, "Pricing and marketing", also discusses operations in the one-stop sector of the record industry.

Rack Jobbers

The rack jobber became a market factor in 1957 with the increased use of prepackaged merchandise and the trend toward self-service supermarkets. Like the one stop, the rack jobber is a subdistributor of phonograph records. Rack jobbers, or rackers as they are also called, supply record racks to drug stores, supermarkets, and variety stores, concentrating on chain store operations. Carrying most record labels, the rack jobber generally services his record racks at least every two weeks.^{1/}

Today there are an estimated 150 rack jobbers with a substantial business.^{2/} The largest of these is Handleman Company whose business in 1962 is reported to have grossed \$18 million and who services some 5,000 locations.^{3/} Other large rack jobbers include Edge, Ltd., with 1962 gross sales of \$6.5 million and projected 1963 business of about \$9 million;^{4/} United States Records, which has reported a business of about \$10 million;^{5/} and Recordwagon, which in 1962 grossed about \$4 million.^{4/} The average racker, according to Billboard surveys, services 316 locations,^{6/} with each location grossing an average of \$6,500 annually.^{7/} 38.0% of the rack jobbers responding carried a peak number of less than 101 record titles in any one location, and for 65.5% of these rackers a maximum of 1,000 titles was carried in a single location.^{6/}

^{1/} "Profile of a rack jobber...", Billboard, March 9, 1963, p. 10.

^{2/} Dual distribution, v. 5, p. 1141.

^{3/} "Handleman may go into distribution," Billboard, March 9, 1963, p. 10.

^{4/} Rolontz, Robert. "Cecil Steen buys into Edge," Billboard, April 6, 1963, pp. 1, 8.

^{5/} Chase, Sam. "Racker talks merger deal with diskeries," Billboard, May 18, 1963, pp. 3, 10.

^{6/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 17.

^{7/} "Profile of a rack jobber...", p. 10.

As noted in the section "Distributors," rack jobbers accounted for approximately 27.8% of distributor business. There follows a table showing the growth of rack jobbers' operations.

Record Sales via Racks, 1957-1962

	Dollars gross at retail (in millions at retail selling price)	Percent of all record dollars at retail	Unit sales at retail (including singles and LPs, in millions)	Percent of all unit sales at retail
1957	N.A.	N.A.	40	16%
1959	\$62	12%	N.A.	N.A.
1960	94	18%	N.A.	N.A.
1961	147	25%	100	28%
1962	197	30%	136	34%

Source: "Market data report," Billboard, August 3, 1963, sec. 2, pp. 14, 17.

Originally the rack jobber distributed long playing records, and these are still his primary product. The rack jobber is especially important in the distribution of budget price LP's. It has been estimated that in 1962 these records accounted for 28% of the average racker's unit sales ^{1/} and that rack jobbers account for up to one half of the sales of \$.99 LP's. ^{2/} The following table shows the relative importance of singles and LP's to the rack jobber:

^{1/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 17.
^{2/} DuBois, p. 15.

Rack Sales by Type of Record

	Percent of gross dollar sales at retail		Percent of unit sales at retail
	1961	1962	1962
Singles	16.6%	26.0%	42.9%
Kiddie (other than LP)	4.9%	not a category	not a category
EP's	4.6%	1.5%	2.6%
LP's	73.9%	72.5%	54.5%

Sources: "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 12.

"Market data report," Billboard, August 3, 1963, sec. 2, p. 17.

With respect to type of music carried, 1962 unit sales of LP's were as follows:

Popular	63.2%
Folk	9.2%
Kiddie	6.8%
Jazz	3.9%
Classical	2.6%
Miscellaneous (all other)	14.3%
	<u>100.0%</u> ^{1/}

There follows a table showing the relative importance of different rack jobber outlets:

Rack Jobber Record Sales by Type of Outlet, 1961

Percent of Gross Dollar Income

Supermarkets	42.6%
Variety stores	25.7%
Drugstores	21.3%
Department stores	7.2%
Service PX	1.5%
Phonograph equipment stores	.9%
Miscellaneous	.8%

Source: "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 12.

^{1/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 17.

Juke Boxes

An important segment of the phonograph record market is the juke box operator. Not only do record purchases for juke boxes account for a significant portion of phonograph record sales, but also the playing of juke boxes increases the exposure of records and thereby promotes record sales through other outlets.

Estimates as to the number of juke box operators and juke box locations differ considerably. One source reports that in 1957 there were an estimated 7,500 juke box operators, whereas in 1962 there were only 6,000.^{1/} However, another source notes that in 1962 there were 8,000 juke box operators.^{2/} It has also been reported that during 1962 about 300 juke box operators went out of business, primarily because of mergers.^{3/}

Regardless of whether there has been a decline in the number of juke box operators, it appears that there has been a decrease in the number of juke box locations. There follows a table showing production of juke boxes for domestic and export sale. Since the export of juke boxes has increased recently, the decline in domestic sales is even more marked than shown in the figures.

Total Shipments of Juke Boxes for Domestic and Export Sale as Reported by the U. S. Bureau of the Census

1953	61,000
1954	63,000
1955	65,000
1956	69,000
1957	63,000
1958	52,000
1959	54,000
1960	46,000
1961	45,000

Source: Coin-operated machines, p. 103.

^{1/} Biro, Nick. "New approach giving zip to juke box play," Billboard, February 23, 1963, p. 49.

^{2/} "It's a half-billion-dollar stake," Billboard, June 8, 1963, p. 1.

^{3/} "Fewer operators but more mazuma," Billboard, September 7, 1963, p. 67.

It has been estimated that in 1957 there were from 450,000 to 500,000 juke boxes on location. ^{1/} The number of juke boxes as of 1962 or 1963 has been estimated by various sources as 463,000; ^{2/} 450,000 to 500,000; ^{3/} 450,000; ^{4/} 435,000; ^{5/} 375,000 to 425,000; ^{6/} and approximately 250,000 known machines. ^{7/} One source attributes the decline in the number of juke boxes to the disappearance of many locations as a result of urban renewal. ^{8/} Today's average juke box operator has 58 music machines on location, situated as shown in the following table:

Location of Juke Boxes			
	1961		1962
	Number of machines for average operator	Percent of total	Number of machines for average operator
Taverns and bars (including cocktail lounges)	30	53.6%	32
Restaurants and diners	21	37.5%	18
Other types of locations (including soda shops, teen hangouts)	4	7.1%	8
	56		58

Sources: "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 157.

"Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

"Profile of an operator," Billboard, September 7, 1963, p. 62.

- ^{1/} Biro, Nick. "New approach giving zip to juke box play," p. 49.
- ^{2/} "It's a half-billion-dollar stake," p. 1.
- ^{3/} Coin-operated machines, p. 137.
- ^{4/} Sternfield, Aaron. "Phono key: programming," Billboard, January 5, 1963, p. 1.
- ^{5/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 18.
- ^{6/} Biro, Nick. "New approach giving zip to juke box play," p. 49.
- ^{7/} Coin-operated machines, pp. 44; 60.
- ^{8/} Biro, Nick. "New approach giving zip to juke box play," p. 49; Sternfield, Aaron. "Phono key: programming," p. 1.

In comparing the number of machines today with the number in the 1950's, it must be noted that today's juke box is quite different from its earlier counterpart. Today's juke box offers from 100 to 200 selections as compared with 40 for the older machines, and an estimated 43.2% of present juke boxes are stereo boxes.^{1/} The change in juke box machines is reflected in the price increase of the highest-priced music machines from \$1,060 in 1954 to \$1,620 in 1959 to \$1,995^{2/} or \$2,200^{2/} today. Furthermore, whereas in 1960 21% of the juke box machines had an average gross income of less than \$10 per week and 20% had a weekly gross income of more than \$20, two years later only 14.3% grossed less than \$10 per week and 28.6% had an average weekly gross income of more than \$20.^{4/}

According to Billboard, the average juke box operator grossed \$57,549.96 in 1962 and after paying about half of this to location owners, he received approximately \$28,775.^{5/} However, this average figure fails to reflect the structure of the industry, for as shown in the following tables, about one-half of the operators had a net income of less than \$5,000 and operated fewer than fifty juke boxes.

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- 1/ Biro, Nick. "New approach giving zip to juke box play," pp. 49, 60; "Market data report," Billboard, August 3, 1963, sec. 2, p. 18.
 - 2/ Coin-operated machines, p. 165.
 - 3/ Ibid., p. 95.
 - 4/ "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 159; "Billboard's music machine survey - 1962 calendar year," Billboard, September 7, 1963, p. 57.
 - 5/ "Profile of an operator," Billboard, September 7, 1963, p. 62.

Net Income of Operators from Juke Box Operations

	1960	1961
Less than \$5,000	50%	50%
\$5,001 - \$10,000	30%	22%
\$10,001 - \$15,000	10%	13%
Over \$15,000	10%	14%

Source: "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 159.

Size of Juke Box Routes, 1962

25 machines or less	28.9%
26-50 machines	30 %
51-100 machines	27.6%
More than 100 machines	13.5%

Source: "Billboard's music machine survey - 1962 calendar year," Billboard, September 7, 1963, p. 57.

The typical juke box operator is not dependent solely on his juke box operations. 80.0% of the operators surveyed by Billboard operated amusement games, 37.6% operated cigarette machines, 16.5% operated food and drink machines, and 9.4% operated kiddie rides.^{1/}

There follows a table showing the types of records purchased by juke box operators:

Records Purchased by Juke Box Operators

	1960 Percent of total	1961 Percent total	1962	
			Percent of total	Number of records (in millions)
Singles (45 rpm)	92%	85%	92.4%	45.3
EP's	2%	1%	.6%	.3
45 rpm stereo singles	4%	5%	3.1%	1.5
33 1/3 rpm singles	2%	8%	3.9%	<u>1.9</u>
				49.0

Sources: "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 158.

"Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

^{1/} "Billboard's music machine survey - 1962 calendar year," p. 57.

Although the 45 rpm records used on juke boxes are primarily intended for teenagers, there has been a recent move to provide juke boxes with stereo singles recorded for the adult market, often present in juke box locations. Further information on this development is included in the section, "Record markets, Speed." With respect to the types of music generally purchased by juke box operators, Billboard's survey showed that 66.3% of the locations featured pop music, 19.1% were primarily country and western music locations, and 14.6% emphasized rhythm and blues.^{1/}

Juke box operators generally purchase their records from one-stop subdistributors, although, as shown in the following table, a number of records are purchased directly from distributors:

Outlets Where Juke Box Operators Purchased Records

	1960	1961	1962
One stops	75%	83%	76.9%
Distributors	22%	13%	19.4%
Retail record shops	not a category	not a category	3.5%
Other sources	3%	4%	.3%

Sources: "Market data report," Billboard Music Week, August 4, 1962, sec., 1, p. 158.
"Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

The importance of record sales to juke boxes in 1961 and 1962 is shown in the following table:

^{1/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

Record Sales to Juke Boxes

	Sales at retail (in millions of dollars at retail selling price)	Percent of dollar volume of retail record sales	Unit sales at retail (including singles and LP's in millions)	Percent of all unit sales at retail
1957			60	23%
1961	\$ 35	6%	50	14%
1962	35	5%	49	12%

Source: "Market data report," Billboard, August 3, 1963,
sec. 2, p. 14.

It has been reported that in 1962 \$452,400,000 was spent on playing
juke box records. 1/ Juke box operators are exempt from paying
performance royalties on this playing of musical compositions, 2/
but legislation to remove this exemption is presently being
considered by Congress.

- 1/ "It's a half-billion-dollar stake," p. 1.
- 2/ See Appendix.

Retail Outlets

Although retail refers to the sale of products directly to the consumer, the term 'retail outlet' in the record industry denotes those stores handling records which are not serviced by rack jobbers. Sales from record racks serviced by rack jobbers, sales through record clubs, and record sales for juke boxes are all included in retail record sales, but the retail outlet considered here is primarily that of the record dealer. The record dealer generally handles other products associated with phonograph records and music, and in most cases the sale of records is not the primary business of the record dealer's location. There follow tables showing the products handled by record retail outlets and the different types of stores embraced by this category:

Products Handled by Retail Outlets
(expressed as percentages of those replying to 1963 Billboard survey)

Records	100.0%
Record accessories	93.7%
Phonographs	88.1%
Tape	84.9%
Radios	70.4%
Tape recorders	69.8%
Television	42.8%
Musical instruments	26.4%
Greeting cards	22.6%
Books	20.1%
Sheet music	17.0%
Pianos and organs	11.9%
All others	45.3%

Source: "Billboard 1963 survey of retail outlets," Billboard, July 27, 1963, p. 15.

Distribution Stores Surveyed in 1963 by Primary Type of Business
(percent of total)

Record store	38.6%
Music center - instruments, sheet music, etc.	14.0%
Appliance (or phonograph) store	11.7%
Record and appliance store	8.8%
Department and/or discount store	7.6%
Hi fi store	5.3%
Gift shop	3.5%
Camera and card shop	2.3%
All others	8.2%

Source: "Billboard 1963 survey of retail outlets," p. 15.

These retail outlets purchased their records from the following distributors and subdistributors:

Outlets Where Retail Outlets Purchased Records

	Singles	LP's
Distributors	51.9%	78.5%
One stops	44.6%	19.0%
Rack jobbers	3.5%	2.5%

Source: "Billboard 1963 survey of retail outlets," p. 18.

Unlike the juke boxes, which carry single records, and record racks, which emphasize LP's, the record retailer carries all record speeds as is shown below:

Types of Records Sold by Retail Stores, 1962

	Dollar sales, percent of totals	Number of records (in millions)	Unit sales Percent of total
Singles	23.4%	100.4	58.7%
LP's	76.2%	69.4	40.6%
Monaural	69.4%		74.3%
Stereophonic	30.6%		25.7%
Popular	88.0%		91.4%
Classical	12.0%		8.6%
EP's	.4%	<u>1.2</u> 171.0	.7%

Source: "Market data report," Billboard, August 3, 1963, sec. 2, pp. 15, 16.

In the Billboard survey, retail outlets estimated that their singles inventory turned over 15.7 times during a year, while long playing records had an annual turnover of only 3.2 times.^{1/}

It is through the record dealer that those catalogue items which do not have current popularity may be purchased, and, at least until the recent increase in the number of classical recordings, the record dealer could usually provide information on different recordings of the same composition. Retail stores offer a wide selection of records, generally ranging from chamber music to the latest teenage record fad. Only about one-fifth of the retail outlets surveyed by Billboard specialized in a particular type of music on LP's, with this specialization divided as follows:

^{1/} "Billboard 1963 survey of retail outlets," p. 18.

Popular	15.8%
Classical	14.0%
Original cast and sound track	12.3%
Country and western	12.3%
Jazz	10.5%
Folk	10.5%
Rhythm and blues	7.9%
Comedy	7.0%
Other (including religious, etc.)	9.7% <u>1/</u>

The 1958 Census of Business reported that there were 2,889 record shops, i.e., "establishments primarily selling phonograph records and albums." These record shops in 1958 had a payroll of \$14,453,000 and sales of \$141,333,000. Comparison of these figures with those of earlier censuses is impossible, since prior to 1958 there are statistics only for the general classification, music stores.^{2/} Statistics showing 1961 and 1962 sales of record retail outlets, including record shops, follow:

Record Sales by Retail Stores				
	Dollar sales at retail (in millions at retail selling price)	Percent of all record dollars at retail	Unit sales at retail (including singles and LP's in millions)	Percent of all unit sales at retail
1961	\$305	52%	160	45%
1962	319	49%	171	43%

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 14.

1/ "Billboard 1963 survey of retail outlets," p. 16.

2/ U. S. Bureau of the Census. U. S. census of business: 1958. Washington, U. S. Govt. Print. Off., 1961. v. 1, Retail trade-summary statistics, pp. APP-6, 1-5, 1-7.

Although the relative importance of the retail outlet in the record industry has declined - from about 84% of all record dollars at retail in 1955 to only 49% in 1962 - dollar sales at retail during the same period have increased by about 60%. During this period record dealers have faced competition from two new market elements, the rack jobber and the record club, but their record sales have, nevertheless, increased with the general growth of the record market, a growth possibly encouraged by the development of these same rack jobbers and record clubs.^{1/} The economic conditions faced by today's record dealer are discussed further in the sections "Record clubs, and mail order packages," "Interownership," and "Pricing and marketing."

The importance of the record dealer in today's economy may be measured not only in terms of payroll and sales, but also in terms of the estimated national income which he originates. An estimate of the 1958 national income originated by record shops (not all retail outlets) has been computed below from figures in the 1958 Census of Business, using a method similar to that used by William M. Blaisdell on page 40 of his May 1959 study for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary, Size of the Copyright Industries:

^{1/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 16.

Estimated National Income Originated by Record Shops in 1958

(in millions of dollars)

Payroll for year	\$ 14.5
Imputed wages of nonpayroll establishments (Sales of nonpayroll establishments are 14% of those of payroll establishments. This same ratio is used to compute the imputed wages of nonpayroll establishments, i.e., 14% of \$14.5 million)	2.0
Total compensation	\$ 16.5
Estimated national income originated (In 1958 for the entire Standard Industrial Classification code, "retail trade and automobile services" national income originated was 141% of compensation of employees. Assuming that this same ratio exists for this retail group, national income originated is 141% of \$16.5 million)	\$ 23.2

Sources: Blaisdell, William M. Size of the copyright industries, study no. 2 in series, Copyright law revision, studies prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, United States Senate, Eighty-Sixth Congress, First Session, pursuant to S. Res. 53. (86th Congress, 1st Session, committee print) Washington, U. S. Government Printing Office, 1960. pp. 39, 40.

Survey of Current Business, July 1962, pp. 11, 28.

U. S. Bureau of the Census. U. S. census of business: 1958. Washington, U. S. Government Printing Office, 1961, v. 1, Retail trade-summary statistics, pp. 1-5, 1-7.

Record clubs and mail order packages

Record clubs

Record clubs are merchandising plans whereby subscribing customers contract to purchase a certain number of long playing records within a specified period of time. The importance of record clubs in today's record market is shown in the following table:

Record Club Sales, 1957-1962

	Dollars gross at retail (in millions at retail selling price)	Percent of all record dollars at retail	Unit sales at retail (including singles and LP's in millions)	Percent of all unit sales at retail
1957			12	5%
1961	\$ 100	17%	45	13%
1962	100	15%	45	11%

Source: "Market data report," Billboard, August 3, 1963,
sec. 2, p. 14.

The first record club was started by Columbia Records in 1955, and by 1962 the Columbia Record Club accounted for approximately 52% of the business gained by Columbia Records. ^{1/} The following table shows how this record club has grown in membership and in net sales:

Membership and Net Sales of the Columbia Record Club

	Number of members	Net sales (excluding mailing and handling charges)
1955 (8/15-12/31)	125,175	\$ 1,174,000
1956	409,084	7,401,000
1957	687,652	14,888,000
1958	993,104	23,629,000
1959	1,052,060	30,391,000
1960 (through 10/60)	1,322,297	30,590,000
early 1963	1,750,000	

^{1/} Dual distribution, v. 5, p. 1140.

Sources: Federal Trade Commission, p. 5. (1955-1960 figures).
Grevatt, Ren. "Witness tells FTC hearing club hurts
sales & profits," Billboard, February 2, 1963,
p. 1. (1963 figure)

In 1960 the Columbia Record Club spent approximately \$5 1/2 million on advertising. ^{1/} The company has estimated that its mail response on direct mail is from 1 to 2% and on magazine advertising amounts to 4 responses per 1,000 magazine copies. ^{2/}

As of early in 1963 the Columbia Record Club was offering consumers six LP's with a suggested list price of between \$3.98 and \$6.98 at a \$1.89 price provided that the customer promised to buy six additional records during the year at \$3.98 plus mailing and handling charges. ^{3/} The Columbia Record Club has not restricted its offerings to those of Columbia Records. Through licensing agreements with other companies, the exclusive rights to selling their LP's by direct mail have been secured. Under these agreements, generally running at least three years, the records are issued under the labels of the licensing companies and the Columbia Record Club pays no more than half of the usual artist royalty. In some cases the Columbia Record Club is given authority regarding the release dates or the prices of the licensing company's LP's. From 1958 to the fall of 1961 the Columbia Record Club had pressed approximately 6,685,419 LP's under these licensing agreements and had paid the licensors \$656,425.97 in royalties. It had sold about 331 record titles under these agreements, and the exclusive agreements covered more

^{1/} Federal Trade Commission, p. 4.

^{2/} Grevatt, Ren. "Columbia execs open defense," Billboard, May 18, 1963, p. 10.

^{3/} Grevatt, Ren. "Witness tells FTC hearing club hurts sales & profits," Billboard, February 2, 1963, p. 1.

than 1,000 records. ^{1/} As of 1963 Columbia had sold 518 records from licensing companies through its record clubs. A listing of the licensors, the dates of their licensing agreements, and the number of their records offered by the Columbia Record Club follows:

Date	Licensor	Number of titles
4/60	Mercury	177
10/60	Kapp	86
10/61	Liberty	63
7/61	United Artists	54
5/58	Caedmon	51
3/59-62	Verve	47
1/62	Cameo-Parkway	20
6/61	Vanguard (not exclusive)	12
9/60	Warner Bros.	6
	Carlton	1
	Roulette	1
		<u>518</u> ^{2/}

An indication of the value of selling records through the Columbia Record Club has been given by Dave Kapp of Kapp Records. According to Mr. Kapp, a record club selection of the month in the 'listening and dancing' category would probably have sales of more than 100,000 records, while alternate selections would probably sell from 2,000 to 15,000 records. ^{3/}

On June 25, 1962 the Federal Trade Commission issued a complaint against the Columbia Broadcasting System and the Columbia Record Club charging that they had violated section 5 of the Federal Trade Commission Act. The Federal Trade Commission complained among other charges that the record club's advertising was deceptive, that the exclusive licensing agreements lessened competition between record manufacturers, and that the record club caused both Columbia records and those of its licensors

^{1/} Federal Trade Commission, pp. 7-11.

^{2/} Ibid., p. 9; Gravatt, Ren. "Columbia execs open defense," p. 10; Gravatt, Ren. "Manufacturers hit many trade angles," Billboard, February 9, 1963, p. 6.

^{3/} Gravatt, Ren. "Manufacturers hit many trade angles," p. 3.

to be sold at a higher price to dealers than directly to consumers through the club. ^{1/} The Federal Trade Commission held hearings on this case from January to August, 1963, and on September 30, 1964, FTC Examiner Donald Moore recommended dismissal of all the Federal Trade Commission's charges. ^{2/} FTC counsel has appealed this initial decision to the Federal Trade Commission (the Commissioners).

Both RCA Victor and Capitol Records have followed the example of Columbia in establishing record clubs. Although the RCA Victor Record Club at one time issued several Warner Bros. LP's and in March 1963 the Capitol Record Club announced that it was going to issue the Warner Bros. sound track of "Gypsy," the RCA Victor Record Club, for which Reader's Digest Music is the exclusive sales agent, and the

Capitol Record Club have almost entirely offered only records from their own masters. ^{3/}

One source has estimated that in 1960 the Columbia, RCA Victor, and Capitol Record Clubs accounted for 97% of the record club market, ^{4/} while a 1963 source has placed this share at 90%. ^{5/} The market shares of each of these companies has been estimated as follows: ^{6/}

- | | |
|-------------------|-------------------|
| Columbia | 50% |
| RCA | 27% |
| Capitol | 23% |
| Smaller companies | 10% ^{5/} |
- 1/ Federal Trade Commission.
 - 2/ Hall, Mildred, "FTC examiner rules for Columbia club," pp. 1, 8.
 - 3/ Federal Trade Commission, pp. 11, 12; "Capitol club issues 1st disk not its own," Billboard, March 16, 1963, pp. 1, 3; "Marek calls club boon to whole industry," Billboard, February 16, 1963, p. 4.
 - 4/ Federal Trade Commission, p. 12.
 - 5/ Dual distribution, v. 5, p. 1140.
 - 6/ Federal Trade Commission, p. 12.

1/ Federal Trade Commission, pp. 7-11.
2/ Ibid., p. 9; Gravett, Ren. "Columbia execs open defense," p. 10.
3/ Gravett, Ren. "Manufacturers hit many trade angles," Billboard, February 3, 1963, p. 6.
4/ Gravett, Ren. "Manufacturers hit many trade angles," p. 3.

A record club operated by the Diners Club, the Diners' Record Club, ceased operations during 1963. ^{1/}

In an effort to meet the competition from manufacturers' record clubs, a number of record dealers have organized their own clubs. In a 1963 Billboard survey of retail outlets, 40.1% of them replied that they operated their own record clubs; 66.9% of them stated that they used their own merchandising or promotional devices to stimulate consumer business, and of these 9.7% specified record clubs as one promotional device. ^{2/}

The Columbia Record Club offers to record dealers 20% on the future record club purchases of members whom they enroll and since the start of the club has given dealers \$1,240,000 in commissions. However, in recent years relatively few of these commissions have been given. ^{3/} On the contrary, the record dealer has objected to the competition of the record club at his retail level and to the lower prices which customers are charged in buying directly through the club rather than by following the usual distribution channels. Several years ago the Society of Record Dealers financed a suit against the Columbia, RCA Victor, and Capitol Record Clubs, but the suit was dismissed with prejudice, apparently because SORD had insufficient funds to continue the proceedings. ^{4/}

^{1/} "Coast hearings end," Billboard, March 9, 1963, p. 8; "Dot not only one shooting for direct mail order sales," Billboard, May 11, 1963, p. 4.

^{2/} "Billboard 1963 survey of retail outlets," p. 18.

^{3/} Grevatt, Ren. "Columbia execs open defense," p. 10.

^{4/} Biro, Nick. "Midwest dealers air complaints at FTC Chi hearings," Billboard, March 2, 1963, p. 12; Grevatt, Ren. "Philly dealers rip clubs as FTC case goes on the record," Billboard, February 16, 1963, p. 8.

Mail order packages

Mail order packages differ from record clubs in that the customers do not contract to purchase a specific number of records in the future, but order only the specific package offered in the magazine or direct mail advertising. The question has been raised whether these mail order packages are in the same market as the record clubs. ^{1/}

There follows a listing of some of the companies active today in the offering of mail order record packages:

Reader's Digest Music -- Reader's Digest Music sells RCA Victor package records and uses the RCA Victor Record Club's membership lists for its mailings. It has been estimated that it is the largest seller in the package field. ^{2/}

Book of the Month Club -- The Book of the Month Club has a Classics Record Library and recently offered a record package of Vanguard's recordings at the Newport Folk Festivals.

Columbia Records -- A package of recordings of the Longines Symphonette was recently offered through the American Home Magazine, the Encyclopaedia Britannica, and the Longines office.

Life Magazine -- RCA Victor records were offered in a "Music of Life" package. ^{3/}

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- ^{1/} "No decision on Digest sales at club hearings," Billboard, August 3, 1963, p. 3.
^{2/} Ibid., p. 3; Grevatt, Ren. "Beef over Reader's Digest one stake at FTC hearing," Billboard, July 27, 1963, p. 3.
^{3/} "Dot not only one shooting for direct mail-order sales," p. 4.

Capitol Records -- Capitol offered a package of musical comedies both to its members and through an advertisement in Look Magazine. ^{1/}

Dot Records -- Dot has started to dispose of its surplus records through direct mail offers rather than by putting them on the market. ^{2/}

Command Records -- Command Records is using mail order to offer sampler albums of its records.

Diners Club -- Diners Club Basic Language Courses on LP's were offered in its magazine.

Pickwick -- Pickwick has offered such LP packages as "50 Years of Jazz" and "Home Concert Series."

Golden -- Children's record libraries have been offered by Golden. ^{3/}

^{1/} Grevatt, Ren. "Columbia rests its case to strains of Beethoven's Fifth," Billboard, August 10, 1963, p. 46.

^{2/} Zhito, Lee. "Dot tests surplus sale direct to consumers," Billboard, May 4, 1963, p. 1.

^{3/} "Dot not only one shooting for direct mail-order sales," pp. 4, 10.

Interownership

Any survey of the industrial structure of the phonograph record industry must take cognizance of the fact that the different market segments, as described above, are interrelated not only by function, but also by ownership. There is a considerable degree of vertical integration within the industry, but the pattern of interownership is complicated.

Considering the production, as opposed to the distribution, level of the phonograph record industry, there are ownership ties among the broadcasting industry, which is an exposure outlet for new records; the motion picture and television film industry, which is the source of many musical compositions as well as a performance medium; music publishing firms; record companies; and recording artists, whose performance is of importance to a record's popularity. This interownership is not only important today in influencing the path by which new compositions reach the distributor level, and the amount of competition existing at each level, but should assume new significance in the event that compulsory licensing is eliminated. In a situation where music publishers are free to select and negotiate with record companies for the recording of their compositions, it would appear that interownership would both influence the record companies chosen and the bargaining strength of the contracting parties.

On the distributor level considerable interownership has arisen among the distributor, the one stop, the rack jobber, and the retail outlet. These interrelationships have tended to alter the market conditions facing each industry segment, as described in the section "Pricing and marketing."

There follows a compilation of some of the interownership patterns within the record industry. Much of the information on interownership on the producer level has been taken from Moody's Industrial Manual, 1963, and information on the performing rights organization affiliations of music publishers has been taken for the most part from the 1962 and 1963 editions of Radio Annual-Television Year Book, section one of the August 4, 1962 issue of Billboard Music Week, and Cash Box Annual World-Wide Directory 1964-1965. The listings of interownership should not be regarded as complete.

Relationship of broadcasting industry to music publishers and record companies

Broadcasting facilities

Relationship to record companies and music publishers

ABC Division of American Broadcasting-Paramount Theatres, Inc. (formerly American Broadcasting Co., Inc.)

American Broadcasting-Paramount Theatres, Inc. controls record companies

Columbia Broadcasting System

has record division and music publishing subsidiary

National Broadcasting Company, Inc.

subsidiary of Radio Corporation of America, which has record division

KCPX stations in Salt Lake City, Utah

owned by wholly owned subsidiary of Columbia Pictures Corporation, which controls music publishers and record companies

Networks and broadcasting stations

own Broadcast Music, Inc. (pays no dividends)

In 1958 a sample list published in Congressional hearings showed a number of broadcasting stations and personnel who had ownership in record companies or music publishing firms.^{1/}

^{1/} U. S. Congress. Senate. Committee on Interstate and Foreign Commerce. Subcommittee on Communications. Amendment to Communications Act of 1934 (prohibiting radio and television stations from engaging in music publishing or recording business), hearings...on S. 2834, a bill to provide that a license for a radio or television broadcasting station shall not be granted to, or held by, any person or corporation engaged directly or indirectly in the business of publishing music or of manufacturing or selling musical recordings, March 11 - July 23, 1958. (85th Cong., 2d Sess.) Washington, U. S. Govt. Print. Off., 1958, pp. 58, 59.

Motion picture and television film producers owning music publishers

Motion picture and television film
producers

Music publishers owned (with
affiliation)

Columbia Pictures Corporation

Aldon Music Co. (BMI)
Colpix Music, Inc. (ASCAP)
Columbia Music Publishing Co.,
Ltd. (BMI)
Columbia Pictures Music Corp.
(ASCAP)
Gower Music, Inc. (BMI)

Screen Gems Inc. (89% of stock
owned by Columbia Pictures
Corporation)

SG Music Corp.
SG Music Publishing Corp.

Desilu Productions, Inc.

Addax Music Co. (ASCAP)
Bruin Music Co. (BMI)
Desilu Music Corp. (ASCAP) 50%

Disney (Walt) Productions

Walt Disney Music Co.
Wonderland Music Co. (BMI)

Four Star Television

BNP Music Publishing Co. (ASCAP)
Four Star Television Music
Publishing Co. (BMI)

MCA Inc.

Alaska Music Co., Inc. (ASCAP)
Hawaii Music Co., Inc. (BMI)

Decca Records, Inc.
Universal Pictures Co., Inc.
(89.2% owned by Decca
Records, Inc.)

Northern Music Corp. (ASCAP)
Universal Music Corp. (BMI)

Metro-Goldwyn-Mayer, Inc.

Robbins Music Corp. (ASCAP) 62.35%
Big 3 Music Corp.
Hastings Music Corp. (BMI)
Leo Feist, Inc. (ASCAP)
Lion Music Corp. (ASCAP)
Miller Music Corp. (ASCAP)
Pine Ridge Music Inc. (ASCAP)
Sheridan Music Publishing Co. (BMI)
Stormont Music Publishing Co. (ASCAP)
Variety Music, Inc. (ASCAP)
Walter Jacobs, Inc. (ASCAP)

Motion picture and television film
producers

Paramount Pictures Corporation

Twentieth Century-Fox Film
Corporation

United Artists Corp.

Warner Bros. Pictures, Inc.

Music publishers owned (with
affiliation)

Birdees Music Corp. (ASCAP)
Famous Music Corp. (ASCAP)
Paramount Music Corp. (ASCAP)
Sun Vane Music Corp.
Vane-Sun Music Corp.

Movietone Music Corp. (ASCAP)
Surrey Music Corp. (ASCAP)
Twentieth Century Music Corp.

engaged in music publishing
business

Advanced Music Corp. (ASCAP) 50%
Atlas Music Corp. (ASCAP)
Edward A. Stege Co.
Fullarton Music (ASCAP) 50%
Harms, Inc. (ASCAP)
Mansfield Music Co., Inc. (ASCAP) 50%
Music Publishers Holding Corp.
M. Witmark & Sons (ASCAP)
New World Music Corp. (ASCAP) 50%
Pepamar Music Corp. (ASCAP) 50%
Remick Music Corp. (ASCAP)
Rodart Music Corp. 50%
Shubert Music Publishing Corp. (ASCAP)
50%
Tod Music, Inc. (ASCAP) 50%

Motion picture and television film producers owning record companies

Motion picture and television film
producers

Record companies owned

American Broadcasting-Paramount
Theatres, Inc. (operates
theatres)

ABC-Paramount Records, Inc.
in 1959 acquired Grand Award Record
Co., Inc.
in 1961 acquired controlling interest
in Westminster Records

Columbia Pictures Corporation

Dimensions Records Co.
manufactures records under Colpix
label

Disney (Walt) Productions

produces phonograph records

MCA Inc.

Decca Records, Inc. 87.8% (which owns
Coral Records, Inc.)

Metro-Goldwyn-Mayer, Inc.

Lion Record Corp.
in 1960 acquired Verne Records, Inc.

Paramount Pictures Corporation

Dot Records Inc.

Twentieth Century-Fox Film
Corporation

20th Fox Record Corp.

United Artists Corp.

engaged in music recording business

Warner Bros. Pictures, Inc.

Warner Bros. Records-Reprise Records
Company

Music publishers owning record companies

<u>Music publishers (with affiliation)</u>	<u>Record companies owned</u>
Gene and Juliam Aberbach of Hill & Range Music (BMI)	Big Top Records
George and Eddie Joy of Joy Music (ASCAP)	Joy Records
George Paxton of Paxton Music (ASCAP)	Coed Records

Source: Rolontz, Robert. How to get your song recorded, p. 50.

Record companies owning music publishers

Record companies

Music publishers owned (with affiliation)

Cameo-Parkway Records, Inc.

Cameo-Parkway Publishing Co., Inc.
(BMI)

Wyncote Music Publishing Co., Inc.

Capitol Records, Inc.

Ardmore Music Corp. (ASCAP)
Beechwood Music Corp. (BMI)

TM, Inc. (independent record
producer on whose masters
Capitol Records has first
option)

Adaris (BMI)
Edgar Music (BMI)
Towme Music (ASCAP)
Trinity (BMI)

Columbia Broadcasting System
(which has Columbia Record
Division)

April Music, Inc. (ASCAP)

Decca Records, Inc. (87.8% owned
by MCA, Inc.)

Northern Music Corp. (ASCAP)

Liberty Records, Inc.

Asa Music Co. (ASCAP)
Commodore (BMI)
Cornerstone Song Publishing Co. (BMI)
GloMar (BMI)
Liberty Songs, Inc. (ASCAP) 52½%
Metric Music Co. (BMI)
Post Music (ASCAP)
Reeve (BMI)
Simon-Jackson, Inc. (BMI)
Travis (BMI)

Among other record companies having their own music publishing firms
are the following:

ABC-Paramount Records, Inc.
Atlantic
Chancellor
King
Roulette
United Artists

According to Robert Rolontz:

There are now literally hundreds of record companies, and most
of them have their own publishing firms. 1/

1/ Rolontz, Robert. How to get your song recorded, p. 17.

Record companies owning distributors

It has been estimated that about 200 of the 500 distributing units in the United States are owned by record companies. These company-owned distributing units are primarily branches of the following seven record companies:

Capitol Records, Inc.
Columbia Record Division
Decca Records, Inc.
Dot Records Inc.
King
Liberty Records, Inc.
RCA Victor Record Division

The distribution patterns of these different companies have been described as follows:

The latter firms [Dot and Liberty] distribute through their own branches in some areas and distribute through independents in others.

Capitol, RCA-Victor and Decca each have a few independent distributors handling their products in some instances but this is incidental to their over-all distribution pattern.

RCA-Victor in a few cases permits its branch managers to handle other labels as well as its own.

Columbia formerly made distribution through some independent distributors, but in recent times has been taking the franchise back into its own branches. 1/

1/ Dual distribution, v, 5, p. 141.

Recording artists and composers owning music publishers and record companies

<u>Recording artists and composers</u>	<u>Music publishers owned (with affiliation)</u>	<u>Record companies owned</u>
Paul Anka	Flanka Music Spanka Music Corp. (BMI)	
Harry Belafonte		Belafonte Enterprises, Inc. (produces Belafonte recordings, but RCA Victor labels and distributes records) Artist Recording Center, Inc. (masters leased to other record companies)
Nat King Cole	music publishing firms	KC label
Bobby Darin	Adaris (BMI) Edgar Music (BMI) Towne Music (ASCAP) Trinity (BMI)	TM, Inc. (independent record producer on whose masters Capitol Records has first option)
4 Seasons	music publishing firm	independent record producers
Marty Robbins	Marizona Music (BMI) Marty's Music Corp. (BMI)	
Frank Sinatra		formerly: Reprise Records Essex Productions (produced records for Reprise) in 1963 Reprise Records merger with Warner Bros. Records (Sinatra on board of directors)

Recording artists and
composers

Music publishers owned
(with affiliation)

Record companies
owned

Tokens

Bright Tunes

Independent record
producers

Sources: "Bobby Darin buys Csida-Burton firms," Billboard, March 2, 1963, p. 1.
Bundy, June. "Star-owned indie record production aids new acts," Billboard, August 3, 1963, pp. 1, 8.
Grevatt, Ren. "The artist as businessman," High Fidelity Magazine, June 1963, pp. 34, 97.
"It's official - Warner Bros. buys Reprise," Billboard, August 17, 1963, p. 3.

Other recording artists having their own publishing firms are:

Brook Benton
Pat Boone
Perry Como
Berry Gordy
Kingston Trio
Jerry Leiber
Johnny Mathis
Bob Merrill
Rick Nelson
Elvis Presley
Phil Spector
Mike Stoller 1/

In 1958 a listing of entertainers who reputedly owned or had had ownership in publishing firms belonging to ASCAP included more than 100 names. 2/

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- 1/ Rolontz, Robert. How to get your song recorded. pp. 17, 46, 47.
2/ U. S. Congress. Senate. Committee on Interstate and Foreign Commerce. Subcommittee on Communications. Amendment to Communications Act of 1934 (prohibiting radio and television stations from engaging in music publishing or recording business), hearings...on S. 2834, a bill to provide that a license for a radio or television broadcasting station shall not be granted to, or held by, any person or corporation engaged directly or indirectly in the business of publishing music or of manufacturing or selling musical recordings, March 11-July 23, 1958. (85th Cong., 2d Sess.) Washington, U. S. Govt. Print. Off., 1958, pp. 317-319.

It has been reported that today perhaps one-half of all recording artists have music publishing firms or have financial interests in their record companies or with their managers.^{1/}

^{1/} Rolontz, Robert. How to get your song recorded. p. 17.

Distributors owning record companies

Distributors

Record companies owned

Cosnat Corporation

Jay-Gee Record Company

Harold Lipsius, owner of Universal
Record Distributors, Philadelphia

Guyden
Jamie

Johnny Vincent, distributor in
Jackson, Mississippi

Ace

Sources: Advertisements, Billboard Music Week, August 4, 1962,
sec. 1, pp. 23, 44, 45.
Rolontz, Robert. How to get your song recorded. pp.
17, 18, 20.

Of the distributors surveyed in 1963 by Billboard, 48.5% were
engaged in another facet of the record business. Of these, the average
number of record labels was 2.6, and there was an average of 1.3 manu-
facturing firms.^{1/}

^{1/} "Billboard 1963 survey of independent record distributors," Billboard,
June 29, 1963, p. 18.

Relationship of distributors to one stops

Billboard's 1963 survey of independent distributors showed that 48.5% of the distributors replying were engaged in another facet of the record business. These distributors operated an average of 1.4 one-stop firms each.^{1/}

Another 1963 Billboard survey showed that 83.3% of one stops operated in other areas of the record business. Of these 13.0% were distributors.^{2/}

Although these statistics do not indicate whether it is the distributors or the one stops which have ownership, in recent Congressional testimony Irving Perlman, president of the Record One Stop Association, stated that distributor-owned one stops were the main concern of the one-stop subdistributor.^{3/}

^{1/} "Billboard 1963 survey of independent record distributors," p. 18.

^{2/} "Billboard 1963 survey of one stops," p. 23.

^{3/} Dual distribution, v. 5, p. 1163.

Distributors owning rack jobbers

Distributor

Rack jobber

Milt Salstone of M-S Distributing
Company

Musical Isle Record Corporation
(substantial interest)

The purchase of a substantial interest in the Musical Isle Record Corporation by Milt Salstone, referred to as the "dean of independent distributors in the country", has been interpreted as a move to counter the acquisition of distributorships by the nation's largest rack jobber, the Handleman Company.^{1/}

In Billboard's 1963 survey those distributors engaged in another facet of the record industry operated an average of 196 rack locations each.^{2/}

^{1/} Biro, Nick. "'Stop Handleman' move launched," Billboard, November 2, 1963, pp. 1, 6.
^{2/} "Billboard 1963 survey of independent record distributors," p. 18.

Distributors owning retail outlets

The integrated distributors responding to Billboard's 1963 survey of independent distributors operated an average of 6.5 retail stores and an average of 2.0 leased departments.^{1/}

One stops owning rack jobbers

Today some one stops have become owners of rack operations. Of those one stops surveyed by Billboard which were in another facet of the record business, 33.3% were rack jobbers, operating an average of 132 rack locations.^{2/}

One stops owning retail outlets

60.0% of the one stops surveyed by Billboard which were engaged in another area of the record business owned retail record stores, with an average of 1.1 stores each. 27.0% operated an average of 2.5 leased record department locations.^{2/}

^{1/} "Billboard 1963 survey of independent record distributors," p. 18.
^{2/} "Billboard 1963 survey of one stops," p. 23.

Rack jobbers owning distributors

Rack jobber

Handleman Company

Distributors owned

American Distributor, Cleveland
(formerly Big Town of Cleveland)
Arc Distributors, Detroit
Border City Sales Company, Detroit
Jay Kay Distributors, Detroit

Sources: Biro, Nick. "Handleman bombshell: he's near acquiring 3 top distrib outlets," Billboard, May 25, 1963, p. 1.
Dual distribution, v. 5, p. 1178.
"Grevatt, Ren." "Distribs begin fretting as Handleman enters field," Billboard, March 16, 1963, pp. 1, 6.

Relationship of rack jobbers to retail outlets

Billboard's 1963 survey of retail outlets showed that 5.9% of record retail outlets were engaged in rack jobbing.^{1/} There is no indication in this figure as to whether the rack jobber or the retail outlet generally is the owner, but it is known that rack jobbers in many cases do own retail outlets.^{2/}

^{1/} "Billboard 1963 survey of retail outlets," p. 16.

^{2/} "How plan will apply to rackers," Billboard, July 27, 1963, p. 6.

Phonograph Records

Record markets

It has been estimated that there are some 2,100 to 3,200 record companies, with more than 200 of these firms releasing records on a regular basis. ^{1/} All of these companies are competitors in the phonograph record market, yet in reality there is not one, but a number of specialized, overlapping record markets. Some record companies compete in most of these markets; others produce records for only a few of them. Furthermore, each record produced falls within several record markets.

These record markets may be classified within several broad categories. In the first place, there are different markets for different types of music. Secondly, the speed of the recording determines whether it will compete in the singles or LP market. Within the LP market there are some customers seeking stereo recordings and others purchasing only monaural records. Low price and budget LP's are sold in different locations and appeal to a different market from records with more standard pricing. Finally, the phonograph record market may be divided into two segments: the mass market for which the great majority of phonograph records are intended and the so-called connoisseur market.

Types of music

The wide variety of music offered on phonograph records is indicated by the following three tables showing the types of phonograph records reviewed by Billboard and played on the radio.

^{1/} See the section, "Record manufacturers, Number of record companies."

Singles Reviewed by Billboard, 1960, 1961, and 1962 ^{1/}

Type of music	1960		1961		1962	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Popular	4,168	71.9%	4,590	76.2%	5,311	79.4%
Country and western	651	11.2	612	10.1	737	11.0
Spiritual	168	2.9	135	2.2	182	2.7
Jazz	127	2.2	128	2.1	126	1.9
Rhythm and blues	336	5.8	244	4.0	119	1.8
Christmas	81	1.4	65	1.1	54	0.8
Polka	43	0.7	48	0.8	39	0.6
Sacred	44	0.8	106	1.8	91	0.5
Children's	45	0.8	30	0.5	31	0.5
Latin American	89	1.5	31	0.5	24	0.4
International	13	0.2	20	0.3	17	0.3
Novelty	16	0.3	20	0.3	12	0.2
Religious	8	0.1	1	0.02	8	0.1
Folk	7	0.1	3	0.05	7	0.1
Spoken word	<u>1</u>	0.02	<u>3</u>	0.05	<u>2</u>	0.02
Total	5,797		6,036		6,700 ^{2/}	

^{1/} Billboard reviews all singles received.

^{2/} Total figure differs from that in Billboard.

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 19.

LP's Reviewed by Billboard, 1960, 1961, and 1962 ^{1/}

Type of music	1960		1961		1962	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Popular	1,141	36.7%	932	31.8%	1,370	37.5%
Classical	482	15.5	469	16.0	469	12.8
Jazz	359	11.5	408	13.9	453	12.4
International	116	3.7	202	6.9	217	5.9
Country and western	67	2.2	82	2.8	154	4.2
Spoken word	65	2.1	127	4.3	141	3.9
Folk	104	3.3	122	4.2	136	3.7
Low price pop	187	6.0	34	1.2	92	2.5
Children's	69	2.2	46	1.6	88	2.4
Latin American	53	1.7	84	2.9	77	2.1
Religious	67	2.2	50	1.7	64	1.8
Speciality	52	1.7	13	0.4	60	1.6
Spiritual	37	1.2	21	0.7	57	1.6
Sacred	48	1.5	46	1.6	56	1.5
Christmas	39	1.3	34	1.2	48	1.3
Polka	31	1.0	26	0.9	35	1.0
Low price classical	60	1.9	39	1.3	33	0.9
Rhythm and blues	17	0.5	32	1.1	24	0.7
Semi-classical	17	0.5	10	0.3	19	0.5
Sound	46	1.5	57	1.9	17	0.5
Band	19	0.4	4	0.07	13	0.4
Low price children's	11	0.4	26	0.9	11	0.3
Documentary	0	0.0	11	0.4	5	0.1
Low price jazz	17	0.5	37	1.3	1	0.02
Novelty	4	0.1	9	0.3	1	0.02
Miscellaneous	5	0.2	8	0.3	14	0.4
Total	3,113	^{2/}	2,929	^{2/}	3,655	

^{1/} Billboard reviews all LP's received.

^{2/} Total figures differ from those in Billboard.

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 19.

Average Time Per Week Devoted by AM Radio Stations to Different Types of Music, 1953, 1962, and 1963

Type of music	Average hours per week		
	1953	1962	1963
General popular (including jazz, Top 40, folk and show music)	30.9	73.4	81.5
Country and western	11.5	5.4	7.6
Rhythm and blues	2.5	2.9	3.3
Classical	4.0	2.4	3.1
Religious (including spiritual and sacred)	1.8	2.8	3.0
Children's	.06	.08	.07
Other	2.0	.8	.8

Source: "Billboard 1963 radio program directors survey,"
"Billboard," April 6, 1963, p. 35.

Although popular music dominates the singles market and AM radio broadcasting and is the most significant type of music in the LP market, important specialized markets exist in the areas of country and western, classical, and jazz music. These tables show that the proportion of popular music on single records and played on AM radio stations has increased appreciably during the past few years, with the proportion on LP's remaining fairly stationary. However, this is apparently not due to a decline in the appeal of the leading specialized types of music, but rather to the increased importance of country music, rhythm and blues, folk music, and jazz as popular music. Thus, for instance, although sales in the specialized jazz market may have declined, jazz has been increasingly accepted as pop music. ^{1/}

The importance of country music is likewise understated in the tables. It has been estimated that 60% of all singles records are country-music oriented. There are approximately 1,300 radio stations programming from 2 to 24 hours daily of country music, with 97 of these fulltime country music stations, and some 130 television stations use country music. Country and western music has made Nashville, Tennessee a national music center. As of the beginning of 1963, 110 music publishing firms, 15 recording studios, 1,100 musicians, and 350 songwriters were located in Nashville. ^{2/}

^{1/} Ackerman, Paul. "Where do we go from here?" Billboard, December 28, 1963, sec. 2, p. 21; "Billboard 1963 radio program directors survey," p. 35; "It's all up to the jazz trade," Billboard, October 12, 1963, p. 27.

^{2/} "A big new sound blows out of Nashville," pp. 69, 70, 72.

In examining the more important specialized music markets, it is significant to note the extent to which they are entered and/or dominated by the major record companies as well as the extent to which specialized companies and labels have become market factors. It is obvious from the following table, "50 Top Country Singles, January-November, 1963," that the 'big four' record companies dominated at least the leading singles in the country market. Columbia, RCA Victor, Decca, and Capitol outranked all other companies in the number of leading country singles and accounted for 37 of the 50 records on the table.

50 Top Country Singles, January-November, 1963

Record company	Number of records	Label
Columbia	10	10
Epic	1	1
RCA Victor	10	10
Groove	1	1
Decca	10	10
Capitol	5	5
United Artists	3	3
Hickory	2	2
Chancellor	1	1
Fabor	1	1
Golden Wing	1	1
King	1	1
London Monument	1	1
Mercury	1	1
Petal	1	1
Vee Jay	1	1
	50	50

1/ The top 50 list is based on Billboard's Hot Country Singles charts from the January 8 through the November 30, 1963 issues. Since the first Billboard issue of 1963 was that of January 5, the January 8 referred to may be a misprint.

2/ Record labels have been grouped by current common ownership where such information is available.

Source: "Top country singles for 1963," Billboard, December 28, 1963, sec. 2, p. 34.

In contrast to the country music market, the next table, "51 Top Rhythm and Blues Singles, January-November, 1963" shows a much wider company distribution of the leading rhythm and blues records. Capitol did not place any records on this table, while RCA Victor's accounted for 5, Columbia for 2, and Decca for 1, with the remaining 43 records were placed on the table by 26 companies, including such small firms as Galaxy and Tuff.

51 Top Rhythm and Blues Singles, January-November, 1963 ^{1/}

Record companies ^{2/}	Number of records	
	Label	Company
Tamla	4	
Gordy	2	
Motown	1	7
RCA Victor	5	5
Atlantic	3	3
Mercury	2	
Philips	1	
Smash	1	4
ABC-Paramount	2	2
Cameo	1	
Parkway	1	2
Chess	1	
Argo	1	2
Columbia	1	
Okeh	1	2
Duke	2	2
Liberty	1	
Double L	1	2
United Artists	2	2
Decca		
Brunswick	1	1
Diamond	1	1
Dimension	1	1
Dot	1	1
Galaxy	1	1
Kapp	1	1

Record company ^{2/}	Number of records	
	Label	Company
King	1	1
Laurie	1	1
London SPQR	1	1
Philles	1	1
Roulette	1	1
Scepter	1	1
Serock	1	1
See Symbol	1	1
Tuff	1	1
Vanguard	1	1
Vee Jay	1	1
Warner Bros. Valiant	1	1
	<u>51</u>	<u>51</u>

- ^{1/} Since records released by Gordy and by United Artists were both in 50th position on Billboard's chart, 51 records are included. This list is based on Billboard's Hot R&B Singles charts from the January 6 through the November 23, 1963 issues. Since the first Billboard issue of 1963 was that of January 5, the January 6 referred to may be a misprint.
- ^{2/} Record labels have been grouped by current common ownership where such information is available.

Source: "Top r&b singles for 1963," Billboard, December 28, 1963, sec. 2, pp. 31, 34.

Although statistics are not readily available as to the relative importance of various record companies in the jazz field, companies releasing jazz records include MGM (Verve), Riverside (Jazzland), Cameo-Parkway, Atlantic, Prestige, Blue Note, World Pacific, and Fantasy Records. ^{1/}

The table, "Record Companies with Original Cast Rights to Musical Shows" is by no means complete in coverage, but it does indicate the extent to which Columbia, RCA Victor, and Capitol have secured original cast recording rights to musical shows. It has been estimated that during 1960 these three companies had a 90% share of the original cast LP market, with Columbia accounting for 50%. ^{2/} As of 1962 Columbia had recorded 6 of the 7 Broadway original cast recordings which had exceeded \$1 million in sales. ^{3/}

^{1/} Maher, Jack. "Hot singles take on new aspect in jazz," Billboard, October 12, 1963, p. 27.

^{2/} Federal Trade Commission, p. 12.

^{3/} "1962 annual report to the stockholders of Columbia Broadcasting System, Inc.", p. 22.

Record Companies with Original Cast Rights to Musical Shows

Record Company	Musical show
Columbia	Bravo Giovanni Camelot The Girl Who Came to Supper Here's Love I Can Get It for You Wholesale Kean My Fair Lady South Pacific Spoon River Anthology We Take the Town What Makes Sammy Run
Epic	Anything Goes
RCA Victor	Foxy Greenwillow Hello Dolly How to Succeed in Business Without Really Trying Jennie Milk and Honey Oliver 110 in the Shade Saratoga Student Gypsy
Capitol	Fiorello Funny Girl The Music Man No Strings Stan Freberg Presents the United States of America The Unsinkable Molly Brown Zenda
ABC Paramount	The Ghost Goes West A Girl to Remember Mrs. A
Kapp	Donneybrook The Fantasticks
Cadence	Best Foot Forward
London	Stop the World-I Want to Get Off
Roulette	Kelly

Sources: "Capitol lands 'Funny Girl' set with Streisland,"
Billboard, August 3, 1963, p. 1.
Grevatt, Ren. "Cost of making records sparks
hearings in Columbia FTC case," Billboard,
July 20, 1963, p. 34.
----- "Original cast derby off and running,"
Billboard, October 12, 1963, pp. 1, 3.
Hamill, Katherine. "The record business- 'It's murder,'"
Fortune, May 1961, pp. 151, 178.
Rolontz, Robert. "Wilted 'Daisey' doesn't stunt cast
LP growth," Billboard, July 20, 1963, p. 1.
"Roulette grabs 'Kelly' with 100 G investment,"
Billboard, September 14, 1963, p. 3.
"Victor acquires rights to Carol Channing musical,"
Billboard, October 19, 1963, p. 3.
"Victor gets 'Foxy' caster," Billboard, December 14,
1963, p. 6.

The securing of original cast recording rights generally involves financial investments of such magnitude and risk to be attractive only to the larger companies. Thus, Columbia invested more than \$250,000 in the production of "My Fair Lady" and over \$400,000 in "Camelot." The riskiness of such investments is illustrated by the sizeable losses of RCA Victor on "Saratoga" and "Greenwillow," two unsuccessful shows. ^{1/} It is significant to note that because of the market appeal of original cast recordings the rights to such recordings can command investments of such magnitude, despite the existence of compulsory licensing.

In contrast with the securing of musical show recording rights, Columbia, RCA Victor, and Capitol have had less success in gaining recording rights to film sound tracks. The market here is much less competitive, with record companies owned by the films' producers generally doing the recording. ^{2/}

RCA Victor, Columbia, and Capitol are dominant factors in classical music, accounting in 1960 for an estimated 75% of the classical LP market. ^{3/}

On the other hand, two independent record companies -- Word Records, which recently acquired Sacred Records, has three record clubs, and records many leading sacred artists, and Duke Records with its subsidiaries, Peacock and Songbird -- are major market factors in the sacred record field. ^{4/}

^{1/} Hamill, p. 151.

^{2/} "Open bidding for sound tracks?," Billboard, October 19, 1963, p. 3.

^{3/} Federal Trade Commission, p. 12.

^{4/} Bates, Mark-Clark, "See 'new look' in operations of religious-oriented field," Billboard, September 21, 1963, p. 13;
"Word-Sacred complete deal," Billboard, November 16, 1963, p. 4.

The fifteen record companies releasing children's records in the first ten months of 1963 are shown in the following table. Although Columbia is now releasing children's records regularly, few new records are being added to the children's selections of RCA Victor, Capitol, and Decca, ^{1/} and RCA Victor is not even included in the table. Record companies releasing children's records often have separate lines for this market.

^{1/} "Gamut runs from bugs to Beethoven," Billboard, April 6, 1963, p. 16.

Record Companies Releasing Children's Records, January 1-November 9, 1963

Record company	Record line	List Price
A. A. Records	Golden LP's	\$ 1.98
	Golden Book and Record Sets	.69
Ambassador Record Corp.	Peter Pan	1.98
	Rocking Horse Diplomat	.99
Caedmon		5.95
		4.95
Capitol Records		1.98
Columbia Records	Columbia	3.98
	Harmony	1.98
Cosmo Recording Co.	'Simon Says' Series	1.98
Decca Records	Decca	3.98
	Vocalion	1.98
Disneyland Records	Children's LP's	1.98
Liberty Records		3.98
Mercury Record Corp.	Storyteller Series	.99
Pickwick Sales Co.	Cricket LP's	1.98
	Happy Time	.99
Riverside Records	Wonderland of Science, Deluxe Illustrated Editions	2.98
	2400 Illustrated Series	2.98
	1400 Wonderland Series	1.98
Science Materials Center	Motivation Records	3.98
Sherman Sales Co.	Adventure Records-LP Series	1.98
United Artists Records	Peter Penguin Series	.99
	Tale Spinner Series	.99

Source: "Children's records released in 1963," Billboard,
November 9, 1963, pp. 36, 37.

Record speed

In the years prior to 1948 there was only one record speed available on the market, the 78 rpm. Today, sixteen years later, the 78 rpm record has virtually disappeared. In the spring of 1948 Columbia introduced a 12 inch, 33 1/3 rpm record known as the LP or the album. In the following year RCA Victor introduced a 7 inch, 45 rpm record, the single, and new phonographs which could only play the 45 rpm speed. As a result there developed what has been referred to as the "battle of the speeds," with each of the two major record companies producing different speed records and dealers forced to have recordings available in all three speeds. The success of "South Pacific" and "Kiss Me Kate" popularized the LP, and in February 1950 RCA Victor released its first LP. One year later Columbia followed suite by releasing 45 rpm records. ^{1/}

Thus, both the newer speeds survived the battle as each came to be used for different purposes. The 45 rpm single containing one selection per side appeals to the teenage market and also is played in juke boxes. On the other hand, classical music and popular music directed to the adult market are recorded on 33 1/3 LP's. The phonograph record industry now serves a two-speed market, yet there are some indications that the return to a one-speed market may be starting.

^{1/} Read, Oliver and Walter L. Welch. From tin foil to stereo, evolution of the phonograph. pp. 339-342; Santon, Chester. "Fifteen light years," p. 8.

The two-speed market brought juke box operators the problem of having only teenage-oriented 45 rpm singles to appeal to their largely adult audience. Consequently in 1960 the Seeburg Corporation, a leading juke box manufacturer, designed a machine for 33 1/3 rpm singles and requested record companies to produce records for its adult "Artist of the Week" program whereby an LP album is recorded on five 33 1/3 stereo single records. ^{1/} In the summer of 1960 the first seven inch 33 1/3 rpm single record was introduced by Columbia and during the next year such records were released by other companies. ^{2/} Later Seeburg initiated a related program, the Little LP, a 7 inch 33 1/3 rpm record containing on both its sides six of the tunes in an LP album. Acceptance by the record industry of its stereo Little LP is indicated by the present participation of 43 labels (including those of the 'big four' companies) in this Seeburg program. ^{3/}

In 1963 the juke box industry took further steps to encourage adult single programming. Three juke box manufacturers, Rock-Ola, Rowe AMI, and Wurlitzer, and Record Source International, a division of the Billboard Publishing Company, organized the Music Operators Stereo Service (MOSS) to supply juke box operators on alternate weeks with five stereo singles based on five LP's chosen from Billboard's "Top LP's -- Stereo" charts. ^{4/} In addition, in

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- ^{1/} Cook, Hal B. "Adult singles revival," Billboard, July 20, 1963, p. 3.
- ^{2/} "1960 annual report to the stockholders of Columbia Broadcasting System, Inc.," p. 8; Record Industry Association of America. Tenth annual report, January 1, 1961-December 31, 1961. New York, p. 1.
- ^{3/} "Who says stereo records are in short supply" (advertisement) Billboard, June 29, 1963, pp. 36, 37.
- ^{4/} Sternfield, Aaron. "Singles ready in mass lots," Billboard, June 8, 1963, pp. 1, 41, 50.

November 1963 the Rock-Ola Manufacturing Corporation made available little LP's for its own machines. A number of record companies are participating in both of these new programs. ^{1/}

This production of 7 inch 33 1/3 rpm records has been directed at the juke box operators. However, the possibility that these 33 1/3 singles may eventually result in a one-speed market has been expressed by the Record Industry Association of America and by Hal B. Cook, publisher of Billboard, as follows, respectively:

The year was also marked by the announcement of the industry of their intention to produce the 7-inch 33 1/3-RPM phonograph record. This action was taken in the belief that the singles market might be considerably widened by making it easier for the consumer to stack both 7- and 12-inch records interchangeably and play them intermixedly. The eventual restoration of a one-speed record market appears to be a likelihood. ^{2/}

Second, both services [MOSS and Seeburg] will help create a demand for good adult singles recorded in 33 stereo. If these programs become widely popular, there is strong reason to believe that the juke box patron will want these recordings for home use.

If this comes to pass, the need for custom packages for music machine consumption will become obsolete, for the record companies will be turning out adult stereo singles product without prodding.

When this comes to pass, we might see a single speed industry and a revived adult singles market. ^{3/}

In 1963 Billboard's survey of independent record distributors showed that most of the lines carried included both LP's and singles, with the percentages of record lines carried divided as follows:

Primarily singles	18.1%
Combined LP's and singles	59.3%
Primarily LP's	19.2%
Budget lines	3.4% ^{4/}

^{1/} "Rock-Ola unveils Little LP's," Billboard, November 30, 1963, p. 1.

^{2/} Record Industry Association of America. Ninth annual report, January 1, 1960-December 31, 1960. New York. pp. 1, 2.

^{3/} Cook, p. 3.

^{4/} "Billboard 1963 survey of independent record distributors," p. 14.

Although many record companies carry both singles and LP's, the extent of individual firm participation in the singles and LP markets varies as does industrial concentration. The record firms in each market are shown in the section "Record manufacturers, Relative record company hits." The tables in that section show the 'big four' having a much more dominant position in the LP than in the singles market. It has been estimated that during 1960 Columbia, RCA Victor, and Capitol had a 50% share of the LP market. ^{1/} In the spring of 1963 RCA Victor attempted to improve its position in the LP market by introducing Dynagroove, a new recording process intended to remove distortion and secure greater reality. Controversy has arisen between RCA Victor and its major competitors, Columbia and Capitol, as to whether this process actually represents a recording advance. ^{2/}

As shown in the following table, sales outlets for singles and LP's differ, with substantially more singles sold by stores than by racks, but with rack sales of LP's slightly exceeding the number sold in stores. Juke boxes, which account for almost one-quarter of single sales, do not participate in the LP market, while, on the other hand, record clubs, accounting for almost one-fourth of LP sales, do not carry single records.

^{1/} Federal Trade Commission, p. 12.

^{2/} Chase, Sam. "Cap hits Dynagroove," Billboard, March 16, 1963, p. 3; Chase, Sam. "Dynagroove bombshell may spark industry race in sales and sound," Billboard, March 9, 1963, pp. 1, 3; Darrell, R. D. "A second look at Dynagroove," High Fidelity Magazine, August 1963, p. 92; Lieberman, Goddard. "Statement" (reprint), American Record Guide, April 1963, p. 601; Zide, Larry. "Sound ideas," American Record Guide, July 1963, p. 891.

Unit Sales of Singles and LP's by Type of Outlet, 1957, 1961, and 1962
(in millions)

Outlet	1957				1961				1962			
	Singles		LP's		Singles		LP's		Singles		LP's	
	Units sold	% of total	Units sold	% of total	Units sold	% of total	Units sold	% of total	Units sold	% of total	Units sold	% of total
Stores	120	59%	25	48%	92	51%	68	39%	101	48%	70	37%
Racks	25	12%	15	29%	40	22%	60	35%	60	29%	76	40%
Juke boxes	60	29%	--		50	27%	--		49	23%	--	
Clubs	--		<u>12</u>	23%	--		<u>45</u>	26%	--		<u>45</u>	23%
Total	205		52		182		173		210		191	

Sources: "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 9.
"Market data report," Billboard, August 3, 1963, sec. 2, p. 15.

Although the number of singles sold in 1962 exceeded the number of LP's by 19 million, the dollar volume of LP sales was about three times that of singles, as is evident from the following table:

Dollar Sales by Type of Record, 1961 and 1962
(at retail selling price in millions)

Type of record	1961		1962	
	Retail sales	Percent of total	Retail sales	Percent of total
Singles (7"-45 rpm)	\$141	24%	\$161	24.7%
LP's (12"-33 1/3 rpm)	441	75%	486	74.7%
EP's (7"-45 rpm-4 tunes)	<u>5</u>	1%	<u>4</u>	.6%
	\$587		\$651	

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 14.

Figures for the 1961 world sale of records show that globally the 45 rpm speed was most popular, with sales of 200 million 45 rpm singles, 120 million 33 1/3 rpm LP's, 60 million 45 rpm extended play records, and 10 million 78 rpm singles. ^{1/}

Not only disc records, but also electrical transcriptions, prerecorded tapes, and record blanks are included in the Bureau of the Census' definition of phonograph records. The following table shows the predominance of the disc phonograph records considered in this report.

^{1/} "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 8.

Monaural-stereophonic

- 169 -

The first stereophonic records were introduced in the United States

Value of Shipments of Different Types of Phonograph Records, 1954 and 1958^{1/}
(in millions of dollars)

These records, pressed from a master made by Westrex

Corporate were placed on the market prior to the availability of type

Disc records (except the 25 r.p.m. and 45 r.p.m. records, but by the end of 1958, the 78 r.p.m. records had been manufactured and other companies

45 r.p.m. 21.0 32.9
78 r.p.m. 21.0 32.9

Other speeds, including electrical transcriptions of all speeds 3.7 5.4

Prerecorded tapes 2.3 1.3

Phonograph records, not specified by kind 6.1 2.6

Total \$80.2 \$136.2

It is difficult to get an accurate picture of the extent of this conversion,

the album record from monaural to stereo is a gradual process

Phonograph records, not specified by kind

Prerecorded tapes

Other speeds, including electrical transcriptions of all speeds

45 r.p.m. 21.0 32.9

78 r.p.m. 21.0 32.9

Disc records (except the 25 r.p.m. and 45 r.p.m. records, but by the end of 1958, the 78 r.p.m. records had been manufactured and other companies

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Value of Shipments of Different Types of Phonograph Records, 1954 and 1958^{1/}

(in millions of dollars)

These records, pressed from a master made by Westrex

Corporate were placed on the market prior to the availability of type

Monaural-stereophonic

The first stereophonic records were introduced in the United States in the spring of 1958 by Audio Fidelity, a small independent record company. These records, pressed from a master made by Westrex Corporation, were placed on the market prior to the availability of stereophonic phonographs, but by the end of 1958 phonograph cartridges for stereophonic records had been manufactured and other record companies had released stereo recordings. Although stereophonic sound initially had appeal as a novelty, it soon was accepted for classical recordings.^{1/}

Selling at a price \$1.00 higher than monaural LP's, the conversion of the album record market from monaural to stereo is a gradual process. It is difficult to get an accurate picture of the extent of this conversion, as existing estimates differ and do not always specify whether they refer to unit or dollar sales. It has been estimated, on the one hand, that stereo's share of the LP market increased from 2% in 1958 to 12% in 1959, 20% in 1960, and 25% in 1961,^{2/} while, on the other hand, the Record Industry Association of America reported that 20% of the LP records sold in 1959 were stereophonic, with this percentage increasing to 26% in 1960 and 38% in 1961.^{3/} A more recent source reports that as of August 1963 the proportion of stereo hit LP sales was at its highest, approaching 50% with the exception of LP's in such areas as country, rhythm and blues, and comedy.^{4/} 1961 and 1962 figures for those LP records sold in retail outlets follow:

- 1/ Fantel, Hans. "A stereo disk birthday," New York Times, May 19, 1963, p. X13.
- 2/ DuBois, ~~et al.~~ p. 12; Moxey, R. L. "Making records," Compressed Air Magazine, October 1962, p. 8.
- 3/ Record Industry Association of America. Ninth annual report, January 1, 1960-December 31, 1960. New York. p. 1; Record Industry Association of America. Tenth annual report, January 1, 1961-December 31, 1961. New York. p. 1.
- 4/ "Billboard all-in-one chart best in town," Billboard, August 17, 1963, p. 3.

LP's Sold by Retail Stores, 1961 and 1962

	Unit sales		Dollar sales	
	1961	1962	1961	1962
Monaural	74.4%	74.3%	70.3%	69.4%
Stereophonic	25.6%	25.7%	29.7%	30.6%

Sources: "Market data report," Billboard Music Week,
August 4, 1962, sec. 1. p. 11.
"Market data report," Billboard, August 3, 1963,
sec. 2, pp. 15, 16.

Unlike the situation a decade earlier when phonographs could not play all speeds, monaural records can be played on stereo phonographs. However, since monaural phonographs cannot be used for stereophonic records, the conversion of the LP market from monaural to stereophonic must await the replacement of monaural phonographs by stereo equipment.^{1/} In 1959 2,745,000 of the 4,400,000 phonographs sold at retail were stereo sets, and in 1960 stereo phonographs accounted for more than 3,300,000 of the 4,500,000 phonographs sold.^{2/} As of January 1, 1961, there were an estimated 7,046,000 stereophonic phonographs in use as opposed to 23,161,000 monophonic phonographs (33 1/3 rpm or multiple speeds).^{3/}

Although stereophonic recording is primarily associated with the LP market, as noted in the preceding section seven inch stereophonic 33 1/3 rpm records are now being manufactured for juke boxes. Whereas in 1960 only 19% of juke boxes were stereo machines, in 1962 43.2% were stereo boxes and 81.2% of the machines purchased during that year were stereo juke boxes.^{4/} However, of the 49 million records purchased by juke box

^{1/} DuBois, p. 12.

^{2/} Record Industry Association of America. Ninth annual report, January 1, 1960-December 31, 1960. New York. p. 1.

^{3/} Kolodin, Irving. "Three years of stereo," Saturday Review, June 24, 1961, p. 30.

^{4/} "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 159; "Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

operators in 1962 only 7% were stereo, with 1,500,000 of these 45 r.p.m. and 1,900,000 33 1/3 r.p.m. records.^{1/}

Low price and budget LP's

Low price or economy LP records are generally priced at \$1.98 for monaural recordings and \$2.98 for stereo versions. These low price records were first introduced about 1954 when RCA Victor initiated its Camden label consisting of rerecordings of its old 78 r.p.m. records. Later well established standard-priced 33 1/3 r.p.m. recordings were reissued as economy records, while today many of the low price records are new recordings.

Several factors make possible the selling of these records at \$2 or \$3 less than the regular lines. If the record is a reissue of an old recording, there are no expenditures for recording artists. When artists are used, they are not the most popular ones, and, therefore, are less expensive. Record companies do little advertising of their low price lines, and the jackets for these records are of lower quality. Not only are expenses reduced in these ways, but also instead of, for instance, a complete repertoire of classical recordings, only the most popular classics are placed on low price records, assuring a high volume sale.^{2/}

Low price labels often record classical music, as is illustrated by two record labels initiated in 1963: RCA Victor's Victrola and Capitol's Paperback Classics.^{3/} This music appeals to the price-conscious classical music lovers who are interested in record content and in good recordings,

^{1/} "It's a half-billion-dollar stake," p. 1.

^{2/} "Classical records--only \$1.98," Changing Times, February 1960, pp. 13, 15.

^{3/} Hart, Philip. "High quality classics at half price," High Fidelity Magazine, September 1963, p. 96.

but not in securing recordings by particular artists or of the highest quality. ^{1/} Economy LP's of popular and children's music as well as classical music are sold on racks and in record stores.

The Camden label with estimated sales of \$8 to \$9 million is the largest of the low price record lines. ^{2/} There follows a listing of many of the companies releasing economy records. It should be noted that all of the 'big four' record companies are participating in this market.

^{1/} Kolodin, p. 30.

^{2/} "Camden is hallmark of growing low-price strength of majors,"
Billboard, August 24, 1963, p. 16.

Record Companies Releasing Low Price LP's, \$1.98 and \$2.98

Record company	Label
A. A. Records	Golden LP's <u>1/</u>
Ambassador	Peter Pan <u>1/</u>
Artia	Parliament
Capitol	Capitol <u>2/</u> Paperback Classics
Columbia	Harmony
Epic	Perfect
Cosmo	'Simon Says' Series <u>1/</u>
Decca	Vocalion
Disneyland	Children's LP's <u>1/</u>
London	Richmond Telefunken
Mercury	Mercury Wing
Smash	Cumberland
Pickwick	Cricket LP's <u>1/</u>
RCA Victor	Camden <u>3/</u> Victrola
Riverside	1400 Wonderland Series <u>1/</u> 2400 Illustrated Series <u>1/</u> Wonderland of Science, Deluxe Illustrated Editions <u>1/</u>
Roulette	Forum
Sherman Sales Co.	Adventure Records LP Series <u>1/</u>
Vanguard	Vanguard Demonstration Records Stereo Lab
Westminster	Whitehall

- 1/ Children's record line.
- 2/ Issues children's records as low price LP's.
- 3/ Price -- \$2.50 monaural, \$3.00 stereophonic.

Sources: "Camden is hallmark of growing low-price strength of majors," Billboard, August 24, 1963, p. 16.
"Children's records released in 1963," Billboard, November 9, 1963, pp. 36, 37.
"Classical records -- only \$1.98," Changing Times, February 1960, p. 13.
Kittleson, Barry. "Classical target: the new collector," Billboard, August 24, 1963, pp. 16, 18.
"New on the low-price record racks," Changing Times, October 1960, p. 13.
"Smash bringing out new economy LP line," Billboard, October 19, 1963, p. 6.

In addition to the standard price and economy LP markets, there is a third group of LP's priced at \$.99 which comprise the budget market. The methods of economizing in the production of low price LP's are also used by the budget lines. Budget LP's are usually sold directly to rack jobbers and chain stores, eliminating the distributor's markup. Often a number of the tunes on an LP are from the public domain; the remainder may all be from one publishing firm which reduces its royalty charges in exchange for royalty advances and guaranties. Only well established or hit material is recorded on budget LP's; the high sales volume of each recording means high volume production with its attendant unit cost reduction. Store owners find that profits from sale of these records compare favorably with those from heavily discounted standard price LP's and involve smaller investment. ^{1/}

The following list of budget record companies shows a number of different firms from those prominent in the regular LP market. The largest independent producer of budget albums is Pickwick International, with Premier, Ambassador, Miller International, Crown, and Strand also leading companies in the budget market. ^{2/}

^{1/} DuBois, pp. 13, 14.

^{2/} Rolontz, Robert. "Budget record makers see bullish, expanding market," Billboard, August 24, 1963, p. 16.

Record Companies Releasing Budget LP's, \$.99

Record company	Label
A. A. Records	Golden Book and Record Sets <u>1/</u> <u>2/</u>
Ambassador	Ambassador <u>1/</u> Rocking Horse Diplomat
Crown	Crown
Mercury	Storyteller Series <u>1/</u>
Miller International	Somerset Stereo-Fidelity
MVP	MVP
Pickwick	Design Grand Prix <u>1/</u> Happy Time Hurrah International Award Rondo
Premier	Celebrity Coronet Parade Spinarama <u>1/</u> Twinkle
Strand	Strand
Sutton	Sutton
United Artists	Peter Penguin Series <u>1/</u> Tale Spinner Series <u>1/</u>

1/ Children's record line.
2/ Price -- \$.69.

Sources: "Children's records released in 1963," Billboard, November 9, 1963, pp. 36, 37.
 Rolontz, Robert. "Budget record makers see bullish, expanding market," Billboard, August 24, 1963, p. 16.

It is difficult to determine the magnitude of the low price and budget markets, and available statistics referring to low price or budget records may be using the terms in a general sense to refer to both of these markets. In a 1963 Billboard survey, independent distributors reported that 3.4% of the record lines which they carried were budget lines. ^{1/} It has been estimated that 28% of the unit sales of rack jobbers are budget price LP's, ^{2/} and budget price LP's amount to an estimated average of 5.7% of the dollar volume accounted for by one stops. ^{3/} There follows a list of the number of low price LP's received by Billboard in 1960, 1961, and 1962:

Low Price LP's Received by Billboard

Type of music	1960		1961		1962	
	Number	Percent of total LP's	Number	Percent of total LP's	Number	Percent of total LP's
Low price pop	187	6.0%	34	1.2%	92	2.5%
Low price classical	60	1.9	39	1.3	33	0.9
Low price children's	11	0.4	26	0.9	11	0.3
Low price jazz	<u>17</u>	<u>0.5</u>	<u>37</u>	<u>1.3</u>	<u>1</u>	<u>0.02</u>
Total	275	8.8%	136	4.7%	137	3.72%

Source: "Market data report," Billboard, August 3, 1963, sec. 2, p. 19.

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- ^{1/} "Billboard 1963 survey of independent record distributors," p. 14.
^{2/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 17.
^{3/} "Billboard 1963 survey of one stops," p. 20.

Mass market-connoisseur market

The phonograph record industry may be regarded as having two markets: a mass market and a connoisseur market. This concept of different markets is illustrated by a pyramid with fluidity between the top and the broad-based mass audience at the bottom. Records intended for the mass market strive for popular appeal and are sold in a wide range of market outlets in order to reach the largest audience possible. On the other hand, connoisseur market records appeal only to specialized tastes and are more generally sold in record stores where dealers offer advice or listening booths. ^{1/}

The singles record market is a mass market composed primarily of a teenage audience. In 1963 11.0% of the retail outlets surveyed by Billboard reported that the primary purchasers of their singles records were in the 8-14 year old age group, while 69.9% of the retailers reported that 14-18 year old teenagers were their primary singles buyers. In that year an average of only 19.6% of all singles were sold to adults. ^{2/}

^{1/} Gelatt, Roland. "Music makers" (based on chat with George R. Marek and Goddard Lieberman), High Fidelity Magazine, April 1961, p. 87.

^{2/} "Billboard 1963 survey of retail outlets," p. 18.

In the early 1950's the LP market was largely a connoisseur market serving upper middle class college graduates, and classical music was a specialized field. Today most LP records have mass appeal. The general public has come to accept and buy classical music, with one source estimating that the number of potential classical record buyers had increased from 1,250,000 in 1955 to 4,000,000 in 1963. ^{1/}

Two factors contributing to the so-called 'democratization' of the LP were the 1955 lowering of the LP list price by \$2.00 and the establishment in the same year of the Columbia Record Club. ^{2/}

In 1962 record clubs sold 23% of all LP records. In addition, the establishment of low price and budget LP lines and the availability of LP's on racks in supermarkets, variety stores, and drugstores have brought the LP within the reach and the budget of the average consumer. Indeed in 1962 more LP's were sold by racks than by record stores. ^{3/}

The connoisseur market continues to be an important one, not in sales volume, but in satisfying the tastes of the music-educated minority and in improving the cultural level of record output. Further the greater appeal of classical LP's may increase the number of connoisseur listeners. ^{4/}

^{1/} Grevatt, Ren. "See Columbia surveys key point in case," Billboard, June 22, 1963, p. 8.

^{2/} Gelatt, p. 87.

^{3/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 15.

^{4/} Gelatt, p. 87.

Number of releases and number of hits

There are wide variations in estimates of the number of new record releases. One source reports that in 1960 there were an average of 120 singles and 75 albums released per week, making an annual total of more than 6,000 singles and 3,900 LP's. This estimate is approximated by a 1963 report that more than 100 singles a week, or approximately 5,800 a year, are released by the record industry, by a 1963 statement that new LP releases often reach 70 to 80 a week, and by the fact that in 1962 Billboard, which reviews all records received, reviewed 6,700 singles and 3,655 LP's. On the other hand, there are much higher estimates of the number of new recordings reaching the market. Thus, one 1963 source reports that it is not unusual for a weekly release of over 230 singles and almost 100 albums, while a second source places average weekly releases at 465.

On the basis of these estimates it would appear that some seventy to almost one hundred new LP's appear weekly in the record market and that the number of new singles may range from slightly over 100 to at least as high as 230. The estimates would place the annual release of new records as between 8,800 and 24,000.

- 1/ Hamill, pp. 148, 178.
- 2/ Rolontz, Robert. How to get your song recorded, pp. 18, 56.
- 3/ "Billboard 1963 radio program directors survey," p. 36.
- 4/ "Market data report," Billboard, August 3, 1963, sec. 2, p. 19.
- 5/ Ackerman, Paul. "Dealers must absorb know-how to cope with rising disk flood," Billboard, May 11, 1963, p. 8.
- 6/ "A big new sound blows out of Nashville," p. 69.

Only a small proportion of these new recordings become record 'hits'.
Thus, it is reported that of the more than 6,000 new single releases only approximately ^{1/}300 may be termed hits, with fewer than 26 having sales of a million. About two hundred hits out of some 5,000 recordings, with fewer than 100 becoming "best sellers" is another estimate.^{2/} The concentration of market popularity upon a relatively small number of recordings is further indicated by a rough estimate that less than one-fourth of the 160 to 200 selections available on today's juke box account for more than 70% of the performances, while some 50 selections are played less than 5% of the time.^{3/}

^{1/} Hamill, p. 150.

^{2/} Rolontz, Robert. How to get your song recorded. p. 56.

^{3/} Coin-operated machines, p. 68.

Multiple recordings and record life

Multiple recordings

Under section 1 (e) of the Copyright Law once a recording has been made of a copyrighted musical composition, the composition may be recorded by anyone paying the 2 cent mechanical royalty.^{1/} This availability of each musical composition to all record companies greatly affects the operations of the phonograph record industry and the product which it offers. Thus, no company has a monopoly in the use of any composition. Small record firms, far from having to compete in gaining exclusive recording rights to new compositions, have access to the new compositions originally recorded by their larger competitors, including those songs whose popularity has been demonstrated, largely through the promotional effort of the larger firms. Further, the public is often given a choice between several versions of the same song.

On the other hand, this compulsory licensing of compositions denies copyright owners the right to grant exclusive recording rights to one company, and large firms may use well established artists to make hit recordings of records originally released by small companies. It has been argued both that multiple recordings shorten and that they lengthen record and song life. Indeed, the entire subject of compulsory licensing is one of controversy and is now under Congressional study. No further consideration will be given here to its merits, but the extent of multiple recording and present phonograph record life, as detailed below, indicate some of the market conditions presently existing under the compulsory licensing clause.

^{1/} See Appendix.

The record industry is characterized by the multiple recording of a number of songs. The following table, "Number of Recordings of the First Ten Songs on Billboard's Honor Roll of Hits" shows the number of different recordings available of the songs recorded in the top ten records. For instance, for the week ending January 5, 1955, there were eight other versions available of the song recorded in the record which had reached first place on the chart, and the nine recordings of the song were released under six labels. The total of 69 for that week reflects the ten records on the "Honor Roll" plus the 59 additional recordings of the songs recorded in these ten records.

Number of Recordings of the First Ten Songs on Billboard's Honor Roll of Hits, Selected Weeks 1955, 1959,
and 1963 ^{1/}

A. 1955 ^{2/}

Position	Week ending:											
	1/5/55	2/2/55	3/2/55	4/6/55	5/4/55	6/1/55	7/6/55	8/3/55	9/7/55	10/5/55	11/2/55	12/7/55
1	9 (6)	11 (9)	14 (10)	10	10	11 (9)	12 (10)	3	5	8 (6)	7	3
2	8 (6)	10 (7)	6 (5)	16 (11)	11 (9)	9 (7)	3	12 (10)	3	5	7	7
3	3	10 (8)	14 (10)	8 (7)	9 (7)	10	9 (7)	6 (5)	4	7	9 (7)	2
4	9 (8)	8 (6)	9 (7)	11 (9)	4	7	4 (3)	2	3	5	1	4
5	8	3	11 (9)	7	16 (11)	3 (2)	3 (2)	1	5	3	3	9 (8)
6	10 (9)	3	5	4 (3)	9 (8)	9 (8)	6 (5)	9 (7)	2	3	7	3
7	6 (5)	5	8	4	11 (9)	3	2	7 (6)	5	3	3	3 (2)
8	9 (6)	8 (6)	6	5 (4)	7	2	1	3 (2)	6	1	4	4
9	4	5	6	6	2 (1)	16 (11)	10	2	1	7	4	5
10	<u>3</u>	<u>4</u>	<u>5 (4)</u>	<u>14 (10)</u>	<u>8</u>	<u>4 (3)</u>	<u>7</u>	<u>5 (4)</u>	<u>6 (5)</u>	<u>6</u>	<u>2</u>	<u>3</u>
Total	69 (58)	67 (56)	84 (70)	85 (71)	87 (74)	74 (62)	57 (50)	50 (42)	40 (39)	48 (46)	47 (45)	43 (41)

Average number of recordings of first ten tunes: 62.6.

Average number of recordings of each tune: 6.26.

Average number of labels of first ten tunes: 54.5.

Average number of labels recording each tune: 5.45.

^{1/} The numbers in parentheses show the number of different labels under which a song was released in cases where the number of labels differs from the number of recordings. The total figure in parentheses shows the sum of the number of labels recording each song, not the number of different labels represented by the total number of recordings, since an individual label often released recordings of a number of the songs in the top ten and is, therefore, counted several times in the total.

^{2/} The Honor Roll of Hits is based on record and sheet sales and disk jockey and juke box performances.

B. 1959 ^{3/}

Position	Week ending:											
	1/3/59	2/7/59	3/7/59	4/4/59	5/2/59	6/6/59	7/4/59	8/1/59	9/5/59	10/3/59	11/7/59	12/5/59
1	1	1	1	2	2	5 (4)	5 (4)	1	3	7 (6)	7 (6)	2 (1)
2	12 (7)	12 (7)	1	1	1	1	1	5 (4)	2 (1)	3	1	11 (9)
3	7 (6)	1	1	1	1	4	1	1	1	2 (1)	1	1
4	3	1	1	1	1	2	1	2	1	1	1	1
5	1	5	1	1	1	6	1	1	1	1	2	7 (5)
6	1	7 (6)	1	1	1	1	2	1	1	1	1	1
7	1	1	1	1	6	1	1	1	1	1	4	1
8	3	2	2	1	4 (2)	1	1	1	1	1	1	2
9	1	4	5	1	1	1	2	1	7 (6)	2	2 (1)	7 (6)
10	<u>1</u>	<u>1</u>	<u>10</u>	<u>4 (3)</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>
Total	31 (25)	35 (29)	24 (24)	14 (13)	19 (17)	23 (22)	19 (18)	15 (14)	19 (17)	20 (18)	22 (20)	34 (28)

Average number of recordings of first ten tunes: 22.9.

Average number of recordings of each tune: 2.29.

Average number of labels of first ten tunes: 20.4.

Average number of labels recording each tune: 2.04.

^{3/} The Honor Roll of Hits is based on record and sheet sales and disk jockey performances.

C. December 1962-November 1963 ^{4/}

Position	Week ending:											
	12/1/62	1/5/63	2/2/63	3/2/63	4/6/63	5/4/63	6/1/63	7/6/63	8/3/63	9/7/63	10/5/63	11/2/63
1	1	1	2	1	1	9	1	4 (3)	1	1	2	1
2	1	1	1	2	2	1	1	1	1	1	1	1
3	1	2	1	1	2	1	1	1	1	3	1	3 (2)
4	2	1	1	1	1	1	1	1	1	1	1	1
5	2	2	4	2	1	1	1	1	1	1	1	1
6	3	1	1	1	1	1	1	1	1	3	2	1
7	1	1	1	1	1	1	1	1	2	1	1	1
8	1	1	1	1	1	1	2	1	3	1	1	1
9	1	1	2	1	1	1	9	2	1	12 (11)	2	1
10	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>6 (5)</u>
Total	14 (14)	12 (12)	15 (15)	12 (12)	12 (12)	20 (20)	20 (20)	14 (13)	14 (14)	25 (24)	13 (13)	17 (15)

Average number of recordings of first ten tunes: 15.7.

Average number of recordings of each tune: 1.57.

Average number of labels of first ten tunes: 15.3.

Average number of labels recording each tune: 1.53.

^{4/} The Honor Roll of Hits is based on record sales and disk jockey performances. It was discontinued in November 1963.

Sources: "Honor Roll of Hits" Billboard (earlier titles, The Billboard and Billboard Music Week), various issues.

A decided trend emerges from a study of the extent of multiple recording of singles, as shown in these charts, in 1955, 1959, and 1963. Thus, in 1955 there was an average of 62.6 releases giving different recordings of the top ten tunes. Four years later there was a marked decrease with only an average of 22.9 recordings of these leading tunes. The trend away from multiple recording, at least with respect to the most popular songs, appears to have continued, as in 1963 there was only an average of 15.7 of these records on the market. The average number of record releases of a song in the top ten has, thus, dropped from 6.26 in 1955 to 1.53 in 1963, less than a decade later, as the resort to compulsory licensing has dropped. Indeed, for three-fourths of the songs on the December 1962-November 1963 charts there was no recording under the compulsory licensing clause.

Since several versions of the same song are sometimes issued by a label, there are in some instances differences between the number of recordings of a song and the number of labels making recordings of the tune. As shown by the table, along with the decrease in multiple recording, there was a decline of multiple releases by one label. Consequently, there is now less discrepancy between the number of recordings of these tunes and the number of labels under which they appear than in 1955.

The second table, "Songs Appearing in Two or More Recordings on Billboard's Hot 100 and Bubbling under the Hot 100 Charts" for selected weeks in 1962 and 1963 also shows the extensiveness of multiple recording. In contrast to the preceding table, this table includes only those multiple recordings of a song which became hits.

There are in many cases additional recordings of the songs listed in the table, but only the versions appearing on the Billboard charts are included. The number of records appearing on the "Bubbling under the Hot 100" charts differs from week to week, but it generally includes records in positions between 101 and somewhere below 140.

Songs Appearing in Two or More Recordings on Billboard's Hot 100 and Bubbling under the Hot 100 Charts, Selected Weeks, June 1962-December 1963

Week ending:	Song	Position	Label	Number of weeks on the Hot 100 Charts
June 2, 1962	Baby Elephant Walk	117	Dolton	
		119	Dot	
July 7, 1962	Baby Elephant Walk	73	Dot	5
	Stranger on the Shore	19	Atco	17
		45	Columbia	5
August 4, 1962	Baby Elephant Walk	50	Dot	9
	Stranger on the Shore	68	Atco	21
September 1, 1962	Baby Elephant Walk	49	Dot	13
	A Taste of Honey	50	Liberty	8
		88	Infinity	1
October 6, 1962	A Taste of Honey	54	Liberty	13
	What Kind of Fool Am I	40	Reprise	6
		85	London	3
		89	Columbia	1
		131	Capitol	
November 3, 1962	What Kind of Fool Am I	17	Reprise	10
		122	Columbia	
	Mama Sang a Song	47	Capitol	4
		61	Liberty	3
		89	Decca	2
	Desafinado	26	Verve	6
		109	MGM	

Week ending:	Song	Position	Label	Number of weeks on the Hot 100 Charts
December 1, 1962	What Kind of Fool Am I	25	Reprise	14
	Mama Sang a Song	32	Capitol	8
		38	Liberty	7
		107	Decca	
	Desafinado	15	Verve	10
		108	Verve	
		113	MGM	
	This Land Is Your Land	93	Columbia	1
		97	Era	1
January 5, 1963	Desafinado	41	Verve	15
	My Coloring Book	48	RCA Victor	3
		58	Colpix	2
February 2, 1963	My Coloring Book	18	RCA Victor	7
		20	Colpix	6
	Walk Right In	1	Vanguard	5
		86	Era	4
March 2, 1963	My Coloring Book	47	Colpix	10
	Walk Right In	5	Vanguard	9
	Days of Wine and Roses	36	Victor	6
		113	Columbia	
April 6, 1963	Days of Wine and Roses	36	Victor	11
		47	Columbia	4
	How Can I Forget	76	Everest	4
		92	Atco	3

Week ending:	Song	Position	Label	Number of weeks on the Hot 100 Charts
May 4, 1963	Days of Wine and Roses	26	Columbia	8
		33	RCA Victor	15
	How Can I Forget	57	Everest	8
	Call Me Irresponsible	81	Reprise	5
		92	Kapp	1
	Hot Pastrami	21	Dot	4
	Hot Pastrami with Mashed Potatoes	77	Roulette	2
	If You Need Me	74	Atlantic	3
		90	Double L	1
June 1, 1963	Days of Wine and Roses	41	Columbia	12
	Hot Pastrami	15	Dot	8
	Hot Pastrami with Mashed Potatoes	36	Roulette	6
	If You Need Me	37	Atlantic	7
64		Double L	5	
July 6, 1963	Say Wonderful Things	95	Columbia	6
		104	Philips	
August 3, 1963	This Is All I Ask	79	Columbia	3
		91	Decca	1
	Scarlett O'Hara	113	Dot	
		127	Epic	
	It Hurts To Be Sixteen	74	Big Top	8
		120	Kapp	

Week ending:	Song	Position	Label	Number of weeks on the Hot 100 Charts
September 7, 1963	It Hurts To Be Sixteen	51	Big Top	8
		115	Kapp	
	Make the World Go Away	24	Liberty	8
		112	Columbia	
	More	17	Verve	9
54		Dolton	5	
117		Columbia		
October 5, 1963	More	42	Dolton	9
		57	Verve	13
	Toys in the Attic	92	Kapp	1
		95	World Artists	1
	November 2, 1963	Toys in the Attic	106	World Artists
December 7, 1963	Louie Louie	4	Wand	5
		103	Columbia	

Sources: "Billboard Hot 100," Billboard, issues listed in first column.

Even assuming that there are only 120 records on each chart, it is obvious from the table that very few of these records are recordings of the same song. In only one week, that of May 4, 1963, did as many as four songs reach the charts in several recordings. At four other times, November 3 and December 1, 1962 and August 3 and September 7, 1963, three songs appeared on the charts in several recordings, but at all other times there were no more than two songs which appeared in several recordings.

It is interesting to note some of the characteristics of the songs reaching the charts in several versions. In only one case, "What Kind of Fool Am I" on October 6, 1962, did as many as four recordings of a song appear on the chart. In only one case did two recordings of the same song reach the position of 30 or better at the same time, illustrating the difficulty, even with a very popular song, of placing more than one recording at the top of the chart.

In most cases the recording appearing on the "Hot 100" first (and, therefore, perhaps the original recording) stays on the "Hot 100" longer and/or in a higher position than recordings reaching the "Hot 100" chart at a later date. For example, the Atco recording of "Stranger on the Shore" on July 7, 1962 had been on the chart 12 weeks before the Columbia version and ranked 19th compared with Columbia's 45th position. On August 4, 1962, the Atco recording was still on the "Hot 100," but Columbia's failed to make either chart. Likewise, on October 6, 1962, three recordings of "What Kind of Fool Am I" appeared on the Hot 100 chart,

while an additional record held 131st position. Highest on the chart in 40th place was Reprise's recording which had been on the chart three or more weeks longer than the others. On November 3 the Reprise record in 17th place was the only recording of this record on the Hot 100, although one other recording ranked 122d. On December 1, 1962, the Reprise record in 25th place was the only record on either chart.

Although it would appear from the limited survey of the table that it is difficult for a new recording to supplant in popularity the older release, this is by no means an unbroken rule as shown in the example of "Days of Wine and Roses." On March 2, 1963, the RCA Victor recording in 36th place had been on the Hot 100 for six weeks. Columbia's version held 113th place on the "Bubbling under the Hot 100" chart. On April 6, 1963, RCA Victor's record again was in 36th position, but Columbia's record had reached 47th place. One month later, on May 4, 1963, Columbia's record was in 26th place and RCA Victor's in 33d. On June 1, 1963, Columbia's recording held 41st place, but RCA Victor's release had disappeared from the charts. As shown in this example, sometimes the duplicate records are those of such large companies as RCA Victor and Columbia. Indeed, there is no noticeable pattern of large as opposed to small record companies placing duplicate recordings on the charts.

All of the above discussion has centered on singles records, yet LP's are also subject to compulsory licensing. The use made of this provision is indicated by a list prepared by the Record Industry Association of America showing

92 composers of serious music having at least one copyrighted composition listed in two or more recordings in the December 1962 issue of the Schwann Long Playing Record Catalogue. For comparison, there were more than 600 composers of serious music published since 1909 whose works were available on phonograph records. ^{1/} The number of LP releases of some of these compositions is shown in the table, "Number of LP Recordings of Selected Serious Musical Compositions as of December 1962."

^{1/} Record Industry Association of America. Statement in opposition to the recommendation of the Register of Copyrights that the compulsory license for the recording of music be eliminated from the Copyright Act. 1963. pp. 16, 86.

Number of LP Recordings of Selected Serious Musical Compositions as of
December 1962

Composer	Composition	Number of recordings
Familiar compositions		
Ravel	Bolero	30
Stravinsky	Firebird Suite	12
Gershwin	Rhapsody in Blue	28
Rachmaninoff	Rhapsody on a Theme of Paganini	11
Copland	Appalachian Spring (Ballet Suite)	6
Barber	Adagio for Strings	11
Less familiar compositions		
Walton	Belshazzar's Feast	3
Riegger	Concerto for piano and Woodwinds	2
Piston	Incredible Flutist	2
Bartok	Music for Strings, Percussion and Celesta	11
Villa-Lobos	Bachianas Brasileiras No. 5	6

Source: Record Industry Association of America. Statement in opposition to the recommendation of the Register of Copyrights that the compulsory license for the recording of music be eliminated from the Copyright Act. 1963. pp. 16, 17.

Record life

What is the life of a phonograph record or more appropriately how long does it maintain its popularity? Information is readily available only for the most popular records. In the table, "Number of Singles in First Place on Billboard's Hot 100 Charts, 1948-1963," it is clearly shown that in recent years the number of records holding first place has appreciably increased and, correspondingly, their length of tenure in first place has decreased.

Number of Singles in First Place on Billboard's Hot 100 Charts, 1948-1963 ^{1/}

Year	Number ^{2/}
1948	9
1949	9
1950	12
1951	9
1952	10
1953	8
1954	10
1955	10
1956	12
1957	16
1958	16
1959	15
1960	19
1961	20
1962	20
1963	<u>19</u>
	214

^{1/} Records are only counted the first time they reach first place.

^{2/} Records are listed according to the date they reached first place, e.g. a record occupying first place in December 1960 and January 1961 is counted under 1960.

Source: "Discography-1948-1963," Billboard, December 28, 1963, sec. 2, pp. 95, 111.

The next table shows that single records with the longest time on the "Hot 100" charts averaged a stay of less than 17 weeks, with the longest stay being 25 weeks. Thus, none of these charts had a record which had remained in the top 100 for six months and the great majority of records spent considerably less than 13 or 14 weeks on the "Hot 100." The popularity of a single record is exceedingly short-lived.

Single Records (indicated by Label) with Longest Stay on Billboard's
Weekly Hot 100 Charts

Week ending:	Number of weeks	Label	Position at given week
6/2/62	25	RCA Victor	44
7/7/62	17	Atco	19
8/4/62	21	Atco	68
9/1/62	18	ABC-Paramount	64
10/6/62	15	Dimension Chancellor	27 57
11/3/62	15	Atco	30
12/1/62	17	Gordy Columbia Capitol	26 35 52
1/5/63	18	Parkway Philles	3 52
2/2/63	22	Parkway	29
3/2/63	18	Atlantic	23
4/6/63	18	Fantasy	70
5/4/63	15	RCA Victor RCA Victor	24 33
6/1/63	14	Dot Columbia	20 24
7/6/63	16	Capitol	36
8/3/63	14	Atlantic	47
9/7/63	15	Parkway	33
10/5/63	17	Rust	55
11/2/63	14	Capitol Gordy Smash	42 46 60
12/7/63	13	Atco Decca Newtown	11 43 44
Average	16.9		38.5

Sources: "Billboard Hot 100," Billboard, issues listed in first column.

It is interesting to note from the table, "Weekly Position of Five Records Having Long Stays on Billboard's Hot 100 Chart" that from this very limited sample there emerges a pattern of the popularity course of singles with relatively long periods of popularity. In the case of each of the four records which reached the top ten, the time on the chart before reaching the top ten positions was longer than the two or three weeks that the records remained on the chart after their decline in popularity had pushed them below these positions. In all cases the records reached their peak during the second half of their chart lifetimes. Indeed, there is a definite trend of the records to rise to a higher position on the chart each week until they reach their peak and then after perhaps a brief time near this peak to fall quickly off the chart. This pattern was followed exactly by three of the five records, and for the other two there were no more than two small reversals of the course directly up the chart and then more quickly down it.

Weekly Positions of Five Records Having Long Stays on Billboard's
Hot 100 Charts 1/

Week	"Cast Your Fate to the Wind" -- Fantasy	"Limbo Rock" -- Parkway	"Heat Wave" -- Gordy	"Hello Stranger" -- Atlantic	"So Much in Love" -- Parkway
1	94	85	82	80	86
2	91	79	51	65	71
3	85	68	34	53	55
4	75	59	19	33	33
5	70	47	14	28	13
6	70	33	6	13	9
7	60	23	5	9	4
8	55	18	4	3	3
9	44	8	4	3	2
10	35	11	8	4	1
11	28	9	9	9	5
12	22	6	18	16	8
13	25	4	27	23	14
14	37	8	46	47	22
15	35	4			33
16	53	2			
17	61	2			
18	70	3			
19		3			
20		6			
21		10			
22		29			
23		47			

	"Cast Your Fate to the Wind" -- Fantasy	"Limbo Rock" -- Parkway	"Heat Wave" -- Gordy	"Hello Stranger" -- Atlantic	"So Much in Love" -- Parkway
Highest position	22	2	4	3	1
Week highest position reached	12th	16th & 17th	8th & 9th	8th & 9th	10th
Number of weeks on chart	18	23	14	14	15
Number of weeks before made top 10 records	didn't make	8	5	6	5
Number of weeks after left top 10 records	didn't make	2	3	3	3
Any reversal in trend up, then down	one small reversal 15th week	yes, 2 reversals (10th and 11th, 14th weeks)	no	no	no

1/ All of these records appeared in the table "Records with Longest Stay on Billboard's Weekly Hot 100 Charts."

Sources: "Billboard Hot 100," Billboard, various issues.

The table, "Lifetime of Records on Billboard's Top LP's Chart, August 31, 1963," shows that hit LP's generally have a considerably longer popular life than singles. The average lifetime on this chart of most types of LP records was longer than the longest life of singles on the "Hot 100" charts (although it must be remembered that there are 150 LP's as compared with 100 singles on the popularity charts). Original cast records had an average life of more than a year with the longest number of weeks on the chart approaching four years. Even jazz records had an average chart lifetime of more than six months. It is interesting to note that although the records of many single hit artists reach the "Top LP's" chart, these records only stay on the chart a short time.

Lifetime of Records on Billboard's Top LP's Chart, August 31, 1963

Type of music	Number	Average number of weeks on chart	Longest number of weeks on chart
Original cast	7	68.9	196
Folk	13	49.4	173
Comedy	10	35.7	147
Greatest hits	4	34.5	53
Popular	52	30.8	278
Sound track	8	29.8	97
Jazz	12	27.9	137
Surfin' LP's	10	11.6	28
Oldies but goodies	3	9.0	14
Single hit artists	34	6.7	19

Source: Maher, Jack. "Singles hit makers crash LP charts often, fade fast," Billboard, September 7, 1963. p. 3.

Record life and song life

In considering record lifetime and especially the effect of multiple recording on this lifetime, it is important to recognize the difference between record life and song life. The question as to whether the popularity span of a record is decreased by a host of competing recordings is not the same as the question of whether the lifetime of the composition itself is lengthened by the availability of so many recorded versions or shortened by overexposure. Furthermore, compulsory licensing permits the multiple recording of compositions not only when they first reach the market but also throughout the period of copyright protection. Thus, it is interesting to note that "Bewitched, Bothered and Bewildered" was recorded many times before it became a hit and that "Misty" and "Till There Was You" did not become hits until they had been recorded 10 and 33 times, respectively. ^{1/}

The following table showing those old songs appearing on Billboard's "Hot 100" and "Bubbling under the Hot 100" charts illustrates the popularity which old songs may achieve at a later period. The number of old songs on the November 30, 1963 charts was probably unusually high in view of the fact that it was particularly noted in Billboard.

^{1/} Rolontz, Robert. How to get your song recorded. p. 18.

Old Songs on Billboard's Hot 100 and Bubbling under the Hot 100 Charts, November 30, 1963^{1/}

Position	Number of weeks	Song title	Label	Earlier artist
8	12	Deep Purple	Atco	Larry Clinton and Ben Wain -- almost 25 years ago
15	11	Maria Elena	RCA Victor	Jimmy Dorsey -- late 1930's
27	12	Fools Rush In	Decca	
32	4	Have You Heard	Coed	
39	9	Misty	Double L	Erroll Garner
50	1	There! I've Said It Again	Epic	Vaughn Monroe
54	3	Rags to Riches	Tear Drop	Tony Bennett
66	6	Unchained Melody	Herald	Al Hibbler
103		Swanee River	Hi	
119		It's All in the Game	Epic	Tommy Edwards
127		I Can't Give You Anything But Love	Imperial	
133		Heartaches	Kapp	

^{1/} The November 30, 1963 Bubbling under the Hot 100 chart includes singles in positions 101 through 134.

Sources: "Billboard Hot 100," Billboard, November 30, 1963, p. 26.
Grevatt, Ren. "Old songs singing on charts," Billboard, November 30, 1963, pp. 1, 16.

Record fads

In addition to the records whose popularity depends on the current appeal of the particular song recorded, the recording artist, and the number of competing versions, there are often a number of records riding to popularity on the crest of the latest teenage record fad. These recordings of the newest musical rage, in many cases a new dance, generally include the name of the fad in their titles. The effect of record fads on the record market is indicated in the following two tables showing the number of Bossa Nova and surfing records appearing on particular dates on the Billboard charts.

SI	1963	4	Love Bands
7	1963	50	Big Band Bossa Nova
6	1963	142	
8	1963	83	Five Bossa Nova
2	1963	92	Fly Me to the Moon and the Bossa Nova Tops
7	1963	120	and more Bossa Nova

There may be other Bossa Nova records on these charts not readily identified by their titles. There were seven other recordings of this song under the ABC-Paramount, Decca, RCA, and other labels, and the Sound labels.

Source: "Billboard Hot 100," Billboard, February 2, 1963, p. 40.
 "Billboard Top LP's," Billboard, February 2, 1963, p. 34.
 "Record Roll of Hits," Billboard, February 2, 1963, p. 50.

Bossa Nova Records on Billboard's Hot 100, Bubbling under the Hot 100, and 150 Best Sellers-Monaural Charts, Week ending February 2, 1963 ^{1/}

Song	Position	Label	Number of weeks
Singles			
Fly Me to the Moon-Bossa Nova ^{2/}	28	Kapp	6
Blame It on the Boss Nova	47	Columbia	3
Bossa Nova USA	96	Columbia	2
The Bossa Nova Watusi Twist	103	Federal	
The (Bossa Nova) Bird	120	Argo	

Monaural LP's			
Jazz Samba	4	Verve	21
Big Band Bossa Nova	39	Verve	7
	148	Mercury	6
Viva Bossa Nova	83	Capitol	8
Fly Me to the Moon and the Bossa Nova Pops	92	Kapp	2
Bad Bossa Nova	120	Prestige	7

^{1/} There may be other Bossa Nova records on these charts not readily identified by their titles.

^{2/} There were seven other recordings of this song under the ABS-Paramount, Decca, Dot, Imperial, Kapp, Riverside, and Tru Sound labels.

Sources: "Billboard Hot 100," Billboard, February 2, 1963, p. 40.
 "Billboard Top LP's," Billboard, February 2, 1963, p. 34.
 "Honor Roll of Hits," Billboard, February 2, 1963, p. 50.

Surfing Records on Billboard's Hot 100, Bubbling under the Hot 100,
and 150 Best Sellers-Monaural Charts, Week Ending August 3, 1963 ^{1/}

Song	Position	Label	Number of weeks
Singles			
Surf City	3	Liberty	8
Surf Party	55	Parkway	4
Surfin' Hootenanny	59	Stacy	4
Surfer Girl	85	Capitol	1
At the Shore	97	Smash	1
Please Don't Talk to the Lifeguard	98	Mercury	1
Lonely Surfer	117	Reprise	
Your Baby's Gone Surfin'	131	RCA Victor	
Monaural LP's			
Surfin' USA	6	Capitol	14
Surfing	50	Dolton	14
Surfin' Safari	70	Capitol	24
Surfin' with the Astronauts	129	RCA Victor	1

^{1/} There may be other surfing records on these charts not readily
identified by their titles.

Sources: "Billboard Hot 100," Billboard, August 3, 1963, p. 22.
"Billboard Top LP's," Billboard, August 3, 1963, p. 30.

Economic Characteristics

Pricing and marketing

Costs and prices

No picture of the phonograph record industry is complete without reference to its pricing structure. The price paid by the consumer for a single or an LP record is divided among the whole series of industrial segments responsible for bringing the record to the market and is determined by many cost factors.

There are, of course, many variations in the cost allocation of each record depending, to mention only a few determinants, on the size, facilities, and financial status of the recording company, the number of musicians used, the popularity of the artist, the number of records pressed, the quality of the record and its jacket, the extent of advertising, the market for which the record is produced, the route by which it reaches this market, and the competitive situation. However, it is possible to get a general idea of the relative cost and price magnitudes throughout the industrial structure.

The return to authors, composers, and music publishers for their contribution to each phonograph record comes in the form of a mechanical royalty of 2 cents on each 78 rpm record side. On a standard LP with six songs on each side, the royalty would generally be 24 cents, ^{1/} with 12 cents paid to the music publisher and 12 cents divided among the authors and composers.

^{1/} See the section "Music publishers."

There are wide variations in the costs of recording. According to one source, a recording studio for making a demonstration tape can be rented for as little as \$10 an hour, the cost of the master tape would be only \$1 or \$2 per song, and the cost of having the recording studio make demonstration 33 1/3 rpm records from the tape would be about \$6 to \$10 per record. ^{1/} Another source, also referring to the person interested in making one single record and having no facilities of his own, places some of the possible basic costs as follows:

rent of recording studio for 3 hours	\$ 150
making and editing of tape	100
making of master record	112
label design	100
1,000 singles pressed @ 11¢ apiece	110
license fee to American Federation of Musicians	100
artist promised 5% royalty on each record sold	^{2/}

The cost of recording sessions includes the costs of musicians, arrangers, and vocalists. As of 1963 the minimum wage rate for American Federation of Musicians members was \$56 for a 3 hour recording session (including 20 minutes of breaks), with 8% pension fund payments and premium pay for recording during certain hours. ^{3/} Only four tunes can be recorded in a 3 hour session. The minimum price for a musical arrangement is about \$50, with a much higher charge if there are a number of musicians. Group vocalists are generally paid a flat rate per tune for each man. ^{4/} Recording artists usually receive a royalty of 5% of the list price of singles and 20 cents on each LP. ^{5/}

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- ^{1/} Rolontz, Robert. How to get your song recorded. p. 28.
^{2/} Hamill, p. 150.
^{3/} Maher, Jack. "AFM lays down demands to firms," p. 1.
^{4/} Rolontz, Robert. How to get your song recorded. pp. 53, 54.
^{5/} Grevatt, Ren. "The artist as businessman," p. 33.

However, popular artists may command as much as 10% of the list price of singles or receive such concessions as royalty guaranties, choice of the songs they will record, or contracts providing for company advertising. ^{1/}

In addition to the payment of musicians, record companies using American Federation of Musicians members must contribute to the Recording Industries Music Performance Trust Funds at the rate of 1 cent on \$1.00 retail price records and 2 1/2% on records retailing at more than \$2.00. ^{2/} The proceeds of this fund, amounting in fiscal year 1963 to \$6 million, are divided into four, with the quarters used (1) to finance outdoor band music and entertainment, (2) for music played in hospitals and at dances held to prevent juvenile delinquency, (3) for civic and patriotic occasions, and (4) for such cultural and educational music endeavors as orchestras. ^{3/}

The cost analysis by Hamill uses 11 cents as the pressing cost for a single record, ^{4/} while another source reports average pressing costs in 1,000 lot quantities for a 45 rpm record as from 12 to 14 cents. ^{5/} In the Federal Trade Commission's hearings on the Columbia Record Club, Mercury Records reported that it charged Columbia 55 cents per unit for the pressing, making of a jacket, delivery, and taking of a markup on an LP record. Mercury only pressed its records for the Columbia Record Club when the quantity was small. At the

^{1/} Rolontz, Robert. "There's gold in them thar record contract concessions," pp. 4, 43.

^{2/} "Decca contract won't bring AFM money it expected but provides plenty security," Billboard, October 9, 1943, p. 13.

^{3/} Parmenter, Ross. "Fifty million," New York Times, June 30, 1963, p. X9.

^{4/} Hamill, p. 150.

^{5/} Rolontz, Robert. How to get your song recorded. p. 54.

same time Allentown Record Company, a large record pressing firm, reported 29 cents as the going rate of making an 86% pure vinyl 12 inch LP, which with the 8 cent cost of the jacket and laminated front cover, amounted to a 37 cent charge. ^{1/}

Once a phonograph record is ready for distribution, the record company must pay a 10% Federal excise tax on his record price. Thus, the manufacturer's price plus the 10% excise tax is the price paid by the distributor.

Several estimates are available as to the prices paid by distributors. In 1961-1962 the sales price to distributors of a \$3.98 list price London LP ranged between \$1.79 and \$1.97. ^{2/} In January 1963 Malverne Distributors in New York was charged \$1.61 for Liberty monaural \$3.98 albums and \$1.63 for Cameo-Parkway \$3.98 LP's. It paid \$2.01 and \$2.06, respectively, for Liberty and Verve \$4.98 list price LP's. ^{3/} In a 1963 Billboard survey independent record distributors were found to pay average prices of \$1.79 for \$3.98 list price LP's and \$2.27 for \$4.98 albums.

Record distributors extend a functional discount on records sold to one stops and rack jobbers. Billboard's survey showed that 50.3% of distributors' business involved extension of this discount, which amounted on the average to 10.5%. ^{4/} Another 1963 Billboard survey showed one stops paying an average of \$2.15 for \$3.98 LP's and \$2.67 for \$4.98 list price albums. ^{5/} Malverne Distributors' selling prices on its \$3.98 LP's came to \$2.23 for Liberty albums

^{1/} Grevatt, Ren. "FTC legal roadshow shoves off to Chi for 3-day stand," Billboard, February 23, 1963, pp. 3, 4.

^{2/} Grevatt, Ren. "Witness tells FTC hearing club hurts sales & profits," p. 8.

^{3/} Grevatt, Ren. "FTC opens trust case," Billboard, January 26, 1963, p. 8.

^{4/} "Billboard 1963 survey of independent record distributors," p. 14.

^{5/} "Billboard 1963 survey of one stops," p. 20.

and \$2.16 for Cameo-Parkway records. It sold \$4.98 Liberty LP's for \$2.78 and \$4.98 Verve records for \$2.60. However, it is not clear whether these prices were those charged to retail outlets or whether they included the functional discount. ^{1/}

It has been reported that in 1961 51.8% of rack jobbers sold records at discount in all or most locations, with an additional 41.3% discounting records in some locations or discounting part of their record merchandise in all locations. ^{2/} The 1963 selling price for discounted \$3.98 LP's ranged from \$2.76 to \$3.59. ^{3/}

Retail outlets in a 1963 Billboard survey reported the average price paid for \$3.98 LP's as \$2.40 and the average price of \$4.98 LP's as \$3.04. ^{4/} Columbia's average price to dealers was \$2.12 for \$3.98 LP's until its 1963 price stabilization program under which it was raised to \$2.25, with \$2.81 the new charge for \$4.98 list albums. ^{5/}

With respect to the price paid by the consumer, it has been reported that 46.3% of retail outlets sell records at a discount, with this discount averaging 21.4%. ^{6/} This would make a price on discounted records of \$3.13 for \$3.98 list LP's and \$3.91 for \$4.98 LP's.

^{1/} Grevatt, Ren. "FTC opens trust case," p. 8.

^{2/} "Market data report," Billboard Music Week, August 4, 1962, sec. 1, p. 12.

^{3/} "Profile of a rack jobber. . .," p. 10.

^{4/} "Billboard 1963 survey of retail outlets," p. 18.

^{5/} "How new plan works," Billboard, July 27, 1963, p. 6.

^{6/} "Billboard 1963 survey of retail outlets," p. 16.

In order to see more clearly the unit costs of a phonograph record and the price progression as it approaches the market, there follows a table showing average price levels for \$3.98 and \$4.98 list LP's, based on the information reported above. The average prices reported in Billboard's surveys are used for the distribution levels, with the 21.4% retail discount used for the final price. Manufacturer's costs have been shown for a 12-song \$3.98 list price record, with the pressing charge reported by Allentown Record Company, a mechanical royalty of 2 cents per tune, and a Music Performance Trust Funds payment based on the list price. Although this is only a rough estimate, it is indicative of the industrial price structure.

Price Structure for Model \$3.98 and \$4.98 LP's

	\$3.98 LP	\$4.98 LP
Mechanical royalty to authors and composers	\$.12	
Mechanical royalty to music publisher	.12	
Artist royalty	.20	
Music performance trust funds	.10	
Pressing and jacket	.37	
Musicians, arrangement, label, profit, advertising, and all other expenses	<u>.72</u>	
Manufacturer price	\$ 1.63	\$ 2.06
Federal excise tax	<u>.16</u>	<u>.21</u>
Price to distributor	\$ 1.79	\$ 2.27
Price to one stop or rack jobber	\$ 2.15	\$ 2.67
Price to retailer	\$ 2.40	\$ 3.04
Price to consumer	\$ 3.13	\$ 3.91

Sources: "Billboard 1963 survey of independent record distributors," Billboard, June 29, 1963, p. 14.
 "Billboard 1963 survey of one stops," Billboard, June 29, 1963, p. 20.
 "Billboard 1963 survey of retail outlets," Billboard, July 27, 1963, pp. 16, 18.
 "Decca contract won't bring AFM money it expected but provides plenty security," Billboard, October 9, 1963, p. 13.
 Grevatt, Ren. "The artist as businessman," High Fidelity Magazine, June 1963, p. 33.
 Grevatt, Ren. "FTC legal roadshow shoves off to Chi for 3-day stand," Billboard, February 23, 1963, p. 4.

Discounts and record deals

Discounting is a general practice in the record industry. As noted in the preceding section, "Costs and prices," market prices are regularly far lower than list prices. However, it is in departures from this regular market level that discounting is most prominent. The record industry is highly competitive and pricing is often the competitive weapon. Price cutting, special deals, and promotional offers are used in the battle for record customers. These discounts fall in several categories. One, that offered by record clubs and mail order packages, is described above in the section, "Record clubs and mail order packages." Other forms of discount are described below.

Cut-outs

Cut-outs are records which are surplus or have been cut out of a record company's catalog. Discontinued from the open stock of a manufacturer or a distributor, these records are often dumped on the market at very low prices. In fact, one company, the National Mercantile Corp., specializes in buying these records and reselling them through record outlets. Thus, it may purchase an LP at \$.60 and resell it for \$.85 to \$.90. ^{1/} As there is no difference in wrapping and no marking to distinguish these records from regular records, the low prices are often confusing to customers and the records may be returned to distributors and credited at the regular price. In addition, these records furnish low price competition to current record company offerings. ^{2/}

^{1/} Du Bois, pp. 11, 15.

^{2/} Dual distribution, pp. 1145, 1152; "Officers to weigh cut-outs problem," Billboard, July 6, 1963, p. 6.

Company	Product	Number of records purchased	Number of records free	Period of offer
Cottontown Jubilee	Bluegrass LP	3	1	7/20/63-8/31/63
Colpix	new pop releases and children's catalog other records	100 100	20 10	6/24/63-9/30/63
Command	7 new releases and entire catalog	6	1	6/24/63-indefinite
Dooto	all album product	5	1	5/1/63-indefinite
Jay-Gee	Jubilee and Josie new releases and catalog	85	15	6/24/63-9/30/63
Original Sound	entire LP catalog	10	1	6/25/63-indefinite
Starday	entire catalog of LP's and EP's	10	2	7/15/63-8/31/63
Tamla-Motown-Gordy	new releases and entire catalog	6	1	7/15/63-9/15/63
Warner Bros.	new releases and 130 LP catalog	100	15	7/29/63-indefinite

1/

In 1963 Billboard surveys 56.0% of the distributors and 81.8% of the one stops responding indicated that the number of promotion or bonus singles had increased during the preceding year. ^{2/} Free records are also given on the retail level through the granting of premiums or coupons. ^{3/}

In addition to lowering record prices, freebies may be used as a form of discriminatory pricing. Furthermore, mechanical royalties are not usually paid on these records. ^{4/}

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- 1/ "Disk deals for dealers," Billboard, August 10, 1963, p. 8.
2/ "Billboard 1963 survey of independent record distributors," p. 18;
"1963 Billboard survey of one stops," p. 23.
3/ "Billboard 1963 survey of retail outlets," Billboard, July 27, 1963, p. 18.
4/ Dual distribution, p. 1152; Grevatt, Ren. "FTC hovers over key industry issues," Billboard, January 12, 1963, p. 4.

Tie-ins

Another promotional practice involving record discounts is the record tie-in. Here a record company and a manufacturer in another industry cooperate in a joint promotional campaign under which records are secured at special prices by customers buying the manufacturer's product. Record tie-ins were started in 1957 by RCA Victor which had tie-ins with Kellogg and H. J. Heinz. Since that time RCA Victor has made extensive use of record tie-ins and the practice has been adopted by other record companies. ^{1/}

In carrying out its promotional campaigns RCA Victor prepares a sampler LP record containing selections from each of the LP's in a soon-to-be released record series. These sampler albums are available to customers of the cooperating manufacturer. Thus, in 1960 a preview record containing selections from the 23 "New Sound America Loves Best" LP series could be purchased for \$1.00 plus a Breck Shampoo box-top, and in 1962 two Sweet Heart Soap wrappers plus \$1.00 brought customers another sampler LP, "Great Songs of Romance." ^{2/}

The forms of record tie-in vary greatly. Teenagers typing a letter to their favorite record artist on portable typewriters at their Remington Rand dealers received a premium RCA Victor record. Winners of this letter contest were to receive more RCA Victor records, with those who had bought Remington typewriters getting back double the cost of the machine. ^{3/} One corporation, the General Harmonics and Video Corp., was established to arrange such promotional tie-ins. In its initial venture

^{1/} "Sweet Heart soap sets record tie-in with RCA Victor," *Advertising Age*, April 30, 1962, p. 14.

^{2/} *Ibid.*, p. 14; "Why RCA Victor likes joint sponsor ads," *Sales Management*, September 2, 1960, p. 81.

^{3/} "Why RCA Victor likes joint sponsor ads," p. 82.

a 98 cent size of Jiffy Sew, a mending product, was sold with a Jack Paar LP for \$1.49. ^{1/}

Advertising for record tie-in campaigns is financed and carried out through the promotional outlets of both the record company and the manufacturer. The advantages which such a tie-in may offer both companies is illustrated by John H. Breck, Inc.'s tie-in with RCA Victor. It has been estimated that the first RCA Victor record tie-in boosted Breck's sales 35% in the fourth quarter of 1959. Likewise, a survey of the 1959 sample LP buyers showed that they bought twice as many of the RCA previewed regular record series as did neighboring phonograph owners and that for each 1,000 sample preview records sold, there was an increase of more than \$600 in dealer sales of this regular merchandise. ^{2/}

Thus, the objective of record tie-in discounts is not so much to increase sales of the records discounted, but to promote regular record sales. Through the cooperation of companies serving other markets, a greater promotional effort can be made.

^{1/} "For greater sales -- look at the record," Sales Management, August 18, 1961, pp. 55, 56.

^{2/} "Why RCA Victor likes joint sponsor ads," p. 81.

Record deals

In addition to the types of discounts mentioned above, there are a number of record deals by record manufacturers involving the discounting of an entire catalog or selected records during a specific time period. There follows a summary of record deals offered to dealers by record manufacturers and distributors as of August 10, 1963 (exclusive of freebies) as reported by Billboard:

Company	Product	Discount	Period of offer
ABC-Paramount	all new releases and catalog of ABC-Paramount, Impulse, Chancellor, and Tangerine	12 1/2%	6/22/63-9/30/63
Atlantic-Atco	new releases and catalog material	15%	7/24/63-8/31/63
Blue Note	entire catalog, including new releases by 2 artists	10%	7/29/63-8/31/63
Epic	all new releases and catalog	15%	7/15/63-9/27/63
Laurie	a new Dion LP	Big 15 Plan	6/1/63-9/15/63
RCA Victor	new releases and catalog of RCA Victor, Victrola, and Camden	12%	7/29/63-9/30/63

1/

Promotional discounts are also used by many retail outlets which hold special record sales and discount records in selected categories. 2/

Transshipping

Record companies generally allocate record releases to distributors by a quota system based on the distributors' past sales. Sometimes distributors are overstocked with records which have less than the average national appeal in their regions. Under pressure to maintain their quotas, the distributors transship these records, generally at

1/ "Disk deals for dealers," p. 8.

2/ "Billboard 1963 survey of retail outlets," p. 18.

very low prices, to more promising regions. If the distributors carry very popular labels, it may even be better for them to take a loss on the transshipped records than to lose their quotas.

These transshipped records furnish low price competition to distributors in the invaded areas and benefit from the promotion which local distributors have financed.^{1/} The extensiveness of this regional price cutting by distributors is indicated in Billboard's 1963 survey of independent distributors in which 97.0% of those responding stated that transshipped records reached their territory and 53.0% admitted that they themselves transshipped. 17.5% of the independent record distributors placed transshipping as the most pressing problem in the record business, a higher percentage than designated any other problem.^{2/}

Recognizing the seriousness of transshipping, record companies have recently begun to adopt a no-allocation policy and to 'crack down' on distributors transshipping their record lines. Distributors may now order whatever record quantities they want from such companies as ABC-Paramount, Colpix, Monument, 20th Century-Fox, Vee Jay, and Warner Bros.^{3/}

Functional levels and dual distribution

In the record industry distribution is effected through a chain of distributors, subdistributors, and retailers. Not only does each of these levels perform distinct functions, but also, as noted in the section, "Costs and pricing," the pricing structure in the industry parallels this functional structure. Thus, manufacturers charge distributors lower prices than those available to subdistributors, and distributors, in turn, extend functional discounts to subdistributors.

1/ Dual distribution, p. 1142.

2/ "Billboard 1963 survey of independent record distributors," p. 18.

3/ Chase, Sam. "Convention spotlight on pricing picture," Billboard, July 6, 1963, pp. 1, 10; "Lively discussions underline problem," Billboard, July 6, 1963, p. 12.

However, vertical integration has tended to obliterate these functional distinctions. Often record companies own their own distribution branches and there is considerable interownership among the distribution levels. Two major pricing phenomena have resulted. In the first place, firms lower in the distribution process have sometimes received the lower prices available to their suppliers. Secondly, in what is known as dual distribution, suppliers have become competitors of the independent businesses they supply.

Looking first at the securing of lower prices, rack jobbers have recently sought to buy directly from manufacturers, paying distributor prices. In the March 1963 convention of NARM, the National Association of Record Merchandisers, the rack jobber members asked the manufacturer associate members to treat them as distributors in view of their difficulties in meeting the price competition of distributor-owned rackers and of large stores and discount houses who were placing them in a price squeeze. The record companies refused pointing out that rack jobbers did not perform such distributor functions as record promotion and the carrying of full record catalogs. ^{1/} Indeed, the major manufacturers and many small record companies will not sell directly to rack jobber subdistributors on standard-price records. ^{2/} Other manufacturers shipping directly to rack jobbers give distributors an override, a commission, on these shipments. According to Billboard's 1963 survey of independent record distributors, 31.4% were receiving

^{1/} Rolontz, Robert. "NARM fails again in distrib rate try," Billboard, March 16, 1963, pp. 1, 4, 79.

^{2/} Rolontz, Robert and Lee Zhito. "Industry buzzing with talk of price policy changes," Billboard, June 22, 1963, p. 4.

such an override, generally amounting to from five to ten percent. However, another 31.4% reported that they received no override but that their record lines were being shipped directly to rack jobbers in their territories. ^{1/}

Not only do some rack jobbers receive distributor prices, but also some retail outlets receive the functional discounts normally granted subdistributors. One method used is the retailer's establishment of a 'silent' rack jobber or one stop. These firms are created to receive the functional discount rather than to perform subdistributor functions. ^{2/} Recently manufacturers have become more concerned about this practice. Thus, in Columbia Records' price stabilization program ^{3/} rack jobbers and one stops must submit monthly accounts showing the proportion of their business which is given to their own retail outlets. Columbia gives no functional discount on this portion. ^{4/} High volume record retailers also may have large enough business to get rack jobbers to share their functional discounts. ^{5/} In addition, some discounters faced with the severe competition of E. J. Korvette are buying records directly from distributors instead of through rack jobbers. With Korvette selling LP's for as low as \$1.66, other discounters may only meet the price by eliminating the middleman rack jobber. ^{6/} It has been felt by some in the industry that Korvette must be buying its records direct from the factory. ^{7/}

^{1/} "Billboard 1963 survey of independent record distributors," p. 18.

^{2/} Grevatt, Ren. "Diskeries showing big concern over role of rack-job firms," Billboard, November 30, 1963, p. 14.

^{3/} See the section, "Price stabilization."

^{4/} "How plan will apply to rackers," Billboard, July 27, 1963, p. 6.

^{5/} Grevatt, Ren. "Diskeries showing big concern over role of rack-job firms," p. 14.

^{6/} Biro, Nick. "Says Chicago distribs pulling away from rack jobbers," Billboard, November 16, 1963, pp. 1, 6.

^{7/} Dual distribution, p. 1180.

Dual distribution is closely related to the silent rack jobber practice. When instead of a silent rack both the rack jobber and the retail outlet are operational, the rack jobber's retail outlet competes with the retail outlets the racker is supplying. Such a situation also occurs when distributors and their subdistributors are under common ownership. Thus, ROSA, the Record One Stop Association, is particularly concerned with the competitive advantages of distributor-owned one stops. In the first place, even when on the books the distributor sells to his own one stop at the same functional discount charged to independent one stops, the distributor-owned one stop can charge lower prices because of the distributor's ten percent cushion. Further, the distributor can use records obtained at distributor prices as currency to purchase other record labels for his one stop. ^{1/}

Distributors, on the other hand, are concerned with the possible consequences of the recent acquisition of distributorships by Handleman Company, the nation's largest rack jobber. Handleman could supply its racks in supermarkets around the country with records from those distributors it owns in several cities, thus bypassing local distributors while taking advantage of their promotional activities. Further, its racks could receive these records for less than do the retailers it supplies, and theoretically it could control the supply of certain records going to independent retailers in its area. ^{2/}

^{1/} Dual distribution, pp. 1164, 1169.

^{2/} Ibid., pp. 1178, 1179.

One other important instance of dual distribution is that involved when a record company supplying retailers competes with them through a record club. Considerable controversy has arisen as to whether this dual distribution has hurt or helped the retailer. In its June 1962 complaint against the Columbia Broadcasting System and the Columbia Record Club, the Federal Trade Commission charged that record dealers were forced to pay higher prices for those records also offered by the Columbia Record Club than did club subscribers. Thus, the consumer in the first year of his enrollment was paying an average LP price of \$2.14 for twelve LP's, while the retailer, who would normally be paying less than the consumer, was paying \$2.47 or, if there were a special deal, no less than \$2.22. ^{1/} Dealers were given a club dealer enrollment plan whereby they received twenty percent of the record club purchases of those members whom they enrolled. Although by May 1963 these commissions had reached \$1,240,000, record dealers have received few commissions in recent years. ^{2/} The use of both record club and retail outlet distribution has raised the further question as to whether record clubs have boosted dealer sales through their advertising or have instead deprived dealers of potential purchases. ^{3/} As noted above in the section "Record clubs and mail order packages," the recommendation of the Federal Trade Commission examiner to dismiss all charges against the Columbia Record Club has been appealed by the FTC counsel.

^{1/} Federal Trade Commission, pp. 6, 7.

^{2/} Grevatt, Ren. "Columbia execs open defense, p. 10.

^{3/} Biro, Nick. "Midwest dealers air complaints at FTC Chi hearings," pp. 4, 12; Grevatt, Ren. "Columbia execs open defense," p. 10; "Record dealers have a kind word for clubs," Billboard, May 25, 1963, p. 3.

Price stabilization

Although record marketing has been characterized by price cutting in many forms, there has recently been a movement toward greater price stability. This movement was perhaps first indicated by the pricing policy of the industry's two largest companies. While other firms were trying to outdo each other in special deals and discounts, RCA Victor's discount on its "Best Buy" records gradually decreased from 25% in 1959 to 14% in 1962 ^{1/} and Columbia Records refrained from participating in the "better deal" competition during the 1961-1963 period. ^{2/}

The present price stabilization policy was initiated, however, in July 1963 when Columbia Records announced a new LP pricing policy. Foregoing discount deals, Columbia established a year-round distributor price to retailers, amounting to \$2.25 on LP's with a suggested \$3.98 list price and to \$2.81 on \$4.98 suggested list price LP's. Although the \$2.25 price was higher than the \$2.12 average LP price which Columbia's discounts had previously brought, Columbia made substantial increases in the cooperative advertising allocations available to retailers. A straight ten percent quarterly exchange policy was substituted for the company's earlier "bonus to sell" program. Finally, Columbia required rack jobbers and one stops having retail outlets to submit monthly reports showing the retail portion of their business. Columbia would not pay a functional discount on this portion. ^{3/}

^{1/} Rolontz, Robert and Lee Zhito. "Industry buzzing with talk of price policy changes," Billboard, June 22, 1963, p. 4.

^{2/} Chase, Sam. "Convention spotlight on pricing picture," Billboard, July 6, 1963, p. 10.

^{3/} Chase, Sam. "Columbia unveils new pricing policy," Billboard, July 27, 1963, pp. 1, 6; "How new plan works," p. 6; "How plan will apply to rackers," Billboard, July 27, 1963, p. 6.

Columbia's plan produced reactions throughout the industry. It was welcomed generally by record dealers ^{1/} many of whom several months later reported that despite their raising Columbia record prices, sales had not fallen off. ^{2/} Columbia's program made operations more difficult for large discounters who were accustomed to buying much of their merchandise during periods of special record discounts to dealers ^{3/} and for rack jobbers who found their margin decreased to the 10% functional discount since they felt it would be difficult for them to charge prices higher than the publicized \$2.25 distributor price. However, despite this negative rack jobber reaction, there was also rack jobber support for the introduction of price stabilization into the chaotic pricing situation, ^{4/} and by October 1963 95% of the rack jobbers doing business with Columbia had returned the forms distinguishing between their rack and retail business. ^{5/}

The effectiveness of Columbia's move depended largely on the reaction of other record manufacturers. Within three months of Columbia's announcement a number of large record companies had adopted more conservative pricing policies. In August 1963 Jay Gee Records followed Columbia's lead by establishing a one price policy and eliminating discount deals on the Josie and Jubilee labels. ^{6/}

^{1/} "Dealers say o.k.," Billboard, August 10, 1963, p. 1.

^{2/} Grevatt, Ren. "Diskeries showing big concern over role of rack-job firms," Billboard, November 30, 1963, p. 14.

^{3/} Chase, Sam. "Columbia unveils new pricing policy," p. 6; Chase, Sam. "Price rise seen throughout industry," Billboard, August 17, 1963, p. 8.

^{4/} Chase, Sam. "Pricing talk of town, dominates NARM meet," Billboard, August 10, 1963, pp. 1, 8; "Pricing talk of town, racks weigh full effect," Billboard, August 10, 1963, pp. 1, 8.

^{5/} Grevatt, Ren. "Columbia says new pricing policy moves lots of disks," Billboard, October 19, 1963, p. 3.

^{6/} Grevatt, Ren. "Blaine follows Columbia lead in price policy," Billboard, August 10, 1963, pp. 1, 8.

That same month Kapp Records, stopping all record deals, set a 10% discount price on its fall record line and announced that no free singles would be given. ^{1/} Warner Bros. placed a 10% discount one-price LP policy into effect for the October through December 1963 period, ^{2/} and United Artists also adopted a 10% discount program. ^{3/} Both ABC Paramount and Kapp announced that they would not tolerate transshipping. ^{4/} In addition, Jay Gee adopted Columbia's policy of granting functional discounts only to those one stops and rack jobbers actually engaged in subdistributing, ^{5/} and Kapp placed responsibility for granting functional discounts with its distributors. ^{6/} Among the other companies adopting more conservative price policies shortly after Columbia's action were RCA Victor, which established a 12 1/2% discount price, Mercury, and Tamla-Motown. ^{7/}

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- ^{1/} Biro, Nick. "Kapp fall line in line," Billboard, August 17, 1963, p. 6; Chase, Sam. "Price rise seen throughout industry," pp. 3, 8.
- ^{2/} "Warner holds 1-price policy," Billboard, October 5, 1963, p. 4.
- ^{3/} "Conservative ranks swelling, UA announces 10% discount program," Billboard, October 12, 1963, p. 4.
- ^{4/} Biro, Nick. "Kapp fall line in line," p. 6; Chase, Sam. "Convention spotlight on pricing picture," pp. 1, 10.
- ^{5/} Grevatt, Ren. "Blaine follows Columbia lead in price policy," pp. 1, 8.
- ^{6/} Biro, Nick. "Kapp fall line in line," p. 6.
- ^{7/} Grevatt, Ren. "Mercury flies high on fall plan," Billboard, September 14, 1963, pp. 1, 6.

Record charts

Record purchases and programming for the record market depend not only upon the special record prices which can be secured, but also upon the record's appeal. Although requests from customers and listeners, recommendations of suppliers, and personal taste are often used in judging this appeal, ^{1/} the appeal of popular music is more definitively measured by national and local surveys. In order to achieve accuracy and objectivity in these record surveys, most trade journals sample different retailers each week. Nevertheless, some attempts to influence record ratings are apparently being made. ^{2/}

About half a dozen trade journals publish charts rating records on the basis of their sales and disc jockey performances. ^{3/} In addition, 30.9% of the AM radio stations responding to Billboard's 1963 radio program directors survey published their own local survey sheets. 87.7% of these sheets were published weekly. ^{4/}

The record charts have assumed great importance in record marketing. Thus, in a survey of one stops, those responding reported that 99.7% of their retailer customers and 95.0% of their rack jobber customers did the bulk of their singles record buying when the records were on the national charts. 43.8% of the retail stores did most of their buying when singles were between 70th and 100th place on a 100 position chart, while rack jobbers generally chose records in the 15th to 50th positions.

1/ "Billboard 1963 radio program directors survey," p. 38; "Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

2/ Dallos, Robert E. "Some in record field say 'pressures' make hit tune lists invalid," Wall Street Journal, May 17, 1963, pp. 1, 14.

3/ Ibid., p. 1.

4/ "Billboard 1963 radio program directors survey," p. 40.

In contrast, the survey showed that 53.3% of the one stops' juke box customers did the bulk of their buying before records reached the chart.^{1/} However, in another survey asking juke box operators what factor stimulated them the most in their record purchases, 38.9% designated trade paper charts and another 9.7% named local radio station charts.^{2/}

Likewise, record charts are an important factor in radio programming. In its 1963 radio program directors survey, Billboard asked those directors of stations whose disk jockey programs were partially or completely controlled by management to indicate those specifications governing their stations' policy. Shows based on trade paper charts or reviews were mentioned by 55.7% of these directors and shows based on local surveys were mentioned by 31.3%.^{3/}

The importance of record charts in record marketing is further indicated by Thomas E. Noonan, research director of Billboard, who reported that Billboard had been informed by manufacturers that each step of a record upward on Billboard's chart boosted its sales by 2,000.^{4/}

1/ "Billboard 1963 survey of one stops," p. 23.

2/ "Market data report," Billboard, August 3, 1963, sec. 2, p. 18.

3/ "Billboard 1963 radio program directors survey," p. 38.

4/ Dallos, p. 1.

Counterfeiting

Two practices have arisen in the record industry involving the copying and sale of the recordings of others. One of these is record piracy. The record pirate issues under his own label music or a form of music copied from another record. In some cases the names of the artists are changed, and the label is always different. On the other hand, counterfeiting, the second practice, is a forgery of the entire record including the label and the jacket. The counterfeited record has the same appearance as the original record and is released under the original company's name.^{1/}

At first counterfeiting was restricted to singles records, but as their operations became larger and more sophisticated, counterfeiters began duplicating LP's.^{2/} It has been estimated that in 1960 counterfeit records were taking \$20 million away from the music business. Many segments of the record industry have suffered from this counterfeiting. Paying no royalties or taxes, counterfeiters deprive music publishers and songwriters of their mechanical royalties and the Federal government of its excise taxes. Likewise, recording artists receive no royalties and record manufacturers get no profits. Further, the public unknowingly buys records of inferior quality, with resulting damage to the reputations of the legitimate record company and the artists.^{3/}

^{1/}Diamond, Sidney A. "Copyright problems of the phonograph record industry." Bulletin of the Copyright Society of the U.S.A., August 1961, p. 353; U.S. Congress, House of Representatives, Committee on the Judiciary, Subcommittee No. 3. Counterfeit phonographs records hearings...on H.R. 6354, a bill to provide (1) criminal penalties for the counterfeiting of phonograph records and (2) civil remedies for infringement of mechanical rights in copyrighted music, May 10, 1962. (87th Cong., 2nd Sess.) Washington, U.S. Govt. Print. Off., 1962. p. 8. (Hereafter referred to as "Counterfeit records.")

^{2/} Counterfeit records, pp. 40, 41.

^{3/} U.S. Congress, House of Representatives, Committee on the Judiciary. Criminal penalties for trafficking in phonograph records bearing counterfeit labels, report, June 5, 1962. (87th Cong., 2nd Sess., House report 1758) Washington, U.S. Govt. Print. Off., 1962. pp. 1, 2.

A subcommittee of the House Committee on the Judiciary held hearings on record counterfeiting in May 1962, and on October 9, 1962, Public Law 87-773 (76 Stat. 775) was enacted. It provided:

Whoever knowingly and with fraudulent intent transports, causes to be transported, receives, sells, or offers for sale in interstate or foreign commerce any phonograph record, disk, wire, tape, film, or other article on which sounds are recorded, to which or upon which is stamped, pasted, or affixed any forged or counterfeited label, knowing the label to have been falsely made, forged, or counterfeited, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

More experience is needed under this law before its effectiveness can be evaluated.

Federal regulation

In addition to industry efforts to secure greater market stability, both the Federal Trade Commission and Congress have sought to reduce unfair and illegal marketing practices in the phonograph record industry.

Although it has been alleged that there are many possible violations of the regulatory statutes administered by the Federal Trade Commission, the record industry's market structure and pricing practices are so complex that it has been difficult for firms to interpret and apply these laws to their own situations. Much doubt has existed as to which practices have been in fact illegal, and the apparent violations have been so widespread that it would have been difficult for the Federal Trade Commission to sue all possible violators. Consequently in response to the applications of industry associations, the Federal Trade Commission approved the holding of a trade practice conference to formulate rules for the phonograph record industry. Following distribution of industry and Federal Trade Commission proposed rules, the FTC held a public hearing in Washington, D.C. on March 31, 1964. On October 9, 1964, the Federal Trade Commission promulgated Trade Practice Rules for the Phonograph Record Industry, effective in thirty days.^{1/} These rules show in considerable detail those trade practices which are illegal.

The FTC's rules prohibit specific types of discrimination, deception, and unfair trade practices. They are directed against discrim-

^{1/} U.S. Federal Trade Commission. Trade practice rules for the phonograph record industry, 17 p.

ination in pricing; in advertising and promotional allowances, services, and facilities; and in the granting or receiving of brokerage and commissions. Price differentials between different customers of like goods are considered as price discrimination when the goods are in commerce, when the price differential is not made in response to changing market conditions or to meet the low price of a competitor, when the differential is not justified by cost savings, and when there is a reasonable probability that it will substantially lessen competition or tend to create a monopoly. Examples were given as to the specific types of price discrimination prohibited. Especially noteworthy were the prohibition of the granting of freebies to customers purchasing a specific quota of records when the quota was so high that it could not be reached by some customers and the prohibition of the granting of functional discounts to wholesalers on that portion of their goods which they sell at retail. The FTC gave the following two examples of the illegal granting of functional discounts to rack jobbers and one stops, respectively:

An industry member sells phonograph records to customers who resell the records by means of record racks placed in retail stores which are primarily engaged in the sale of non-record products and charges such customers 10% less than the price at which such industry member sells phonograph records to retail record store customers.

An industry member sells phonograph records to a customer who resells to juke box operators and to retailers and who also is in competition with the latter, and charges such customer a lower price for the records he resells at retail than the industry member charges other retailers.^{1/}

^{1/} U.S. Federal Trade Commission, Trade practice rules for the phonograph record industry, pp. 6,7.

The trade practice rules prohibit specific deceptions in use of the words 'stereo', 'stereophonic', and 'free'; in record club practices; in the use of corporate names and trademarks; in branding; in representation of products and the character of business; in invoicing; in guarantees and warranties; in selling methods; and in pricing. With respect to the last category, the phonograph record industry is subject to the FTC's Guides against Deceptive Pricing, which went into effect on January 8, 1964.^{1/} Unfair trade practices prohibited by the rules include certain instances of commercial bribery; push money; defamation of competitors or false disparagement of their products; unlawful interference with purchases or sales; tie-in sales (requiring purchase of one product as a prerequisite to purchase of other products); exclusive dealing; inducing breach of contract; lifting of stocks; unauthorized shipments, and agreements or conspiracies to fix or maintain prices.^{2/} It should be noted that the rules do not specifically deal with discriminatory pricing of cut-outs or with transshipping.^{3/}

In addition to its issuance of trade practice rules, the Federal Trade Commission has charged the Columbia Broadcasting System and the Columbia Record Club with violation of section 5 of the Federal Trade Commission Act and has conducted an exhaustive examination of the Columbia Record Club's operations. The proceedings against this record

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- ^{1/}U.S. Federal Trade Commission. Guides against deceptive pricing, effective January 8, 1964. 6 p.
^{2/} U.S. Federal Trade Commission. Trade practice rules for the phonograph record industry.
^{3/} Hall, Mildred. "FTC rules protect record dealers," Billboard, October 17, 1964, pp. 3, 10.

club are discussed above in the sections, "Record clubs and mail order packages" and "Functional levels and dual distribution."

Congress has also been concerned in recent years with marketing practices in the phonograph record industry. As noted in the preceding section "Counterfeiting," legislation was enacted in 1962 prohibiting the transportation or sale in interstate commerce of counterfeited phonograph records.

In the Eighty-Eighth Congress, Subcommittee 4 of the House Select Committee on Small Business conducted an extensive investigation of the effects of dual distribution and related vertical integration upon small business. On September 23, 1963, this subcommittee focused on the phonograph record industry in hearings at which several industry ^{1/} representatives were witnesses. The subcommittee's report on this investigation will probably be issued in December 1964.

^{1/} Dual distribution, v. 5, pp. 1131-1191.

Size of industry

Although it is difficult to measure the cultural and entertainment value of the phonograph record industry, it is possible to secure several indices of its economic size. The number of establishments, sales, national income originated, and position in the world market are all important indications of the importance of the phonograph record industry in our economy.

The number of establishments in the different segments of the record industry has been discussed in earlier chapters. There are some 2,100 to 3,200 firms which release records, with at least 200 of these and perhaps as many as 800 releasing discs on a regular basis. There are about 500 distributors, and on the subdistributor level there are some 200 one stops and an estimated 150 rack jobbers with a substantial business. The 1958 Census of Business reported that there were 2,889 record shops, but this figure excludes the many retail outlets where records are not the major items sold. In addition, there are some 6,000 to 8,000 juke box operators.

As shown in the 1958 data in the following tables, phonograph records are not only the primary, but also virtually the only product of record manufacturers. Further, the phonograph record industry, defined by the Bureau of the Census as including those establishments primarily engaged in manufacturing phonograph records and prerecording magnetic tapes, accounts for almost all the shipments of phonograph records. Sales of these records may be expressed in several ways. Unit sales in 1963 totaled 408 million records.^{1/} Measured in dollars at retail selling

^{1/} "Billboard market data report," Billboard, August 15, 1964, sec. 2, p. 18.

Value of Shipments of the Phonograph Record Manufacturing Industry, 1958 ^{1/}
(in millions of dollars)

Products	Value of shipments
Primary product	
Phonograph records	\$ 133.0
Secondary products	
Blankbook making	3.2
Other secondary products	1.1
Miscellaneous receipts	
Sales of scrap and refuse	1.0
Sales of products bought and sold without manufacture	10.1
Other	<u>.4</u>
Total	\$ 148.7

^{1/} Includes interplant transfers, but does not include costs and payments related to the production of master records, such as royalties and other payments to performers, the American Federation of Musicians, and publishers.

Source: U. S. Bureau of the Census, U. S. census of manufactures: 1958. Washington, U. S. Government Printing Office, 1961. v. II, part 2, p. 36D-14.

Value of Shipments of Phonograph Records by Industry, 1958 ^{1/}
(in millions of dollars)

Industry	Value of shipments	
	Value	Percent
Phonograph record industry ^{2/}	\$ 133.0	97.7%
Office machines industry	1.9	1.4%
Other	<u>1.2</u>	<u>.9%</u>
Total	\$ 136.2	100.0%

^{1/} Includes interplant transfers, but does not include costs and payments related to the production of master records, such as royalties and other payments to performers, the American Federation of Musicians, and publishers.

^{2/} Establishments primarily engaged in manufacturing phonograph records and prerecording magnetic tapes. Does not include companies engaged exclusively in the manufacture of master records.

Source: U. S. Bureau of the Census, U. S. census of manufactures: 1958. Washington, U. S. Government Printing Office, 1961. v. II, part 2, pp. 36D-14, 36D-16.

price, these sales, as reported by Billboard, amounted to \$658 million. In 1962, Billboard reported retail sales of \$651 million, while the Record Industry Association of America placed these sales at \$570.2 million. Dollar sales of phonograph records may also be measured at manufacturers' prices; the Record Industry Association of America estimated 1962 sales at manufacturers' prices as \$271.6 million. The U. S. Bureau of the Census has used value of shipments to determine industry size. Excluding costs and payments related to the production of master records, such as royalties and other payments to performers, the American Federation of Musicians, and publishers, the 1962 value of all shipments (not solely records) by the phonograph record manufacturing industry amounted to \$189.3 million and the value of shipments of phonograph records by all industries amounted to \$186.8 million.^{1/}

Again excluding the costs of producing master records, the payroll of record manufacturers in 1962 amounted to \$45.3 million. Using the same method and assumptions as those used by William M. Blaisdell in his 1959 study, *Size of the Copyright Industries*, 1962 national income originated by record manufacturers, as computed in the following table, has been estimated at \$126.8 million. As shown in the section "Retail outlets," the national income originated by record shops in 1958, has been estimated at \$23.2 million. These estimates compare with a 1962 national income in the United States of \$453.7 billion and a gross national product in that year of \$554.9 billion.^{2/}

^{1/} See the section "Historical tables."

^{2/} U. S. Bureau of the Census. *Statistical abstract of the United States: 1964*. (Eighty-fifth edition.) Washington, U. S. Govt. Print. Off., 1964. p. 321.

Estimated National Income Originated by the Phonograph Record Manufacturing Industry in 1962 (in millions of dollars)

Payroll for year (exclusive of costs related to production of master records)	\$ 45.3
Estimated compensation to performers, publishers, the American Federation of Musicians, etc. (Based on Blaisdell's assumption that this compensation is approximately one-third of the industry's value of shipments which in 1962 amounted to \$189.3 million.)	<u>63.1</u>
Total compensation	\$108.4
Estimated national income originated (In 1962 for the entire Standard Industrial Classification code, "electrical machinery," national income originated was 117% of compensation of employees. Assuming this same ratio exists for this manufacturing group, national income originated is 117% of \$108.4 million.)	\$126.8

Sources: Blaisdell, William M. Size of the copyright industries, study no. 2 in series, Copyright law revision, studies prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, United States Senate, Eighty-Sixth Congress, First Session pursuant to S. Res. 53 (86th Cong., 1st Sess., committee print) Washington, U. S. Govt. Print. Off., 1960. p. 38. Survey of Current Business, July 1963, pp. 17, 33. U. S. Bureau of the Census. Annual survey of manufactures: 1962. General statistics for industry groups and industries (M62(AS)-1) (revised). Washington, 1964. p. 18.

Although in recent years there has been a decrease in United States exports of phonograph records, a factor responsible for this decrease has been the manufacture and release of American records by firms located abroad.^{1/} The dominant position of the United States in the world record market is evidenced in the table below which shows the United States accounting for 56 percent of the world's record sales, with no other country exceeding 6 percent.

^{1/} "Market data report," Billboard, August 3, 1963, sec. 2, p. 11.

World Record Sales, 1962^{1/}
(at manufacturers' selling prices)

Americas		
United States	56%	
Canada	3%	
Argentina	1%	
Brazil	1%	
Mexico	1%	
Other countries	<u>1%</u>	63%
Europe		
United Kingdom	6%	
West Germany	6%	
France	4%	
Italy	3%	
Benelux countries	2%	
Other countries	<u>4%</u>	25%
Asia		
Japan	5%	
Other countries	<u>2%</u>	7%
Australia and New Zealand	3%	3%
Africa		
South Africa	1%	
Other countries	<u>1%</u>	<u>2%</u>
		100%

^{1/} Excludes Soviet bloc nations.

Source: "Billboard market data report," Billboard, August 15, 1964,
sec. 2, p. 15.

Demand-supply conditions

The phonograph record industry is a growth industry. In the 1950's and 1960's there has been a marked upward trend in phonograph record sales with only a few minor reverses. Retail sales volume has increased from \$184 million in 1950 to \$658 million in 1963^{1/} and, as Standard & Poor's reported in September 1964, "Phonograph record sales are expected to continue in a long-term uptrend."^{2/}

A number of factors have increased the demand for phonograph records. Of major importance to this and other amusement industries has been the increase in consumer income accompanied by greater leisure time. The growth in population has also been especially important to record demand since so much of its market is comprised of the expanding teenage population. In addition, the phonograph record market has broadened in recent years. The use of chain stores and supermarkets as retail outlets and the introduction of record clubs have brought records to many new customers, while lower standard LP prices plus new economy and budget LP lines have increased the classical record market. The development of high fidelity and stereophonic recording has also enhanced the appeal of the phonograph record.^{3/}

Although the demand for phonograph records has increased, the demand for particular recordings of popular music is quite volatile.

1/ "Billboard market data report," Billboard, August 15, 1964, sec. 2, p. 16.

2/ Standard & Poor's industry surveys, basic analysis, September 10, 1964, p. A 74.

3/ Ibid., p. A 64; Cobleigh, Ira U. "Record profits," Commercial and Financial Chronicle, July 12, 1962; p. 168; Gelatt, p. 87; Noonan, Thomas E. "Economic analysis and outlook," Billboard, December 28, 1963, sec. 2, pp. 24, 25; "What keeps Victor in first groove," Printer's Ink, October 12, 1962, p. 62.

As shown above in the section "Record life," the market appeal of even the most popular song is very short lived. Teenagers not only quickly tire of individual records but also buy according to the latest song craze. While the demand for individual popular records is thus highly unpredictable, the short-lived popularity of individual records may tend to increase the total volume of record sales.

Turning to supply conditions, the phonograph record in physical appearance is a homogeneous product. In reality, however, the sound recorded distinguishes each record, and each title is a different product.^{1/} The phonograph record industry is thus offering many different products, but compulsory licensing makes it impossible to secure a monopoly on any of them. This availability of new compositions to all who wish to record them plus the low investment required to produce a record gives this industry a high ease of entry. It means further that despite the predominance of RCA Victor, Columbia, and Capitol there is considerable competition both among different record titles and among recordings of the same song.

Several competitive weapons are employed by record manufacturers. One of the most important is the recording artist. Although it is impossible to secure exclusive rights to the compositions of particular songwriters, it is possible to make exclusive contracts with recording artists. Since it is primarily the artist which differentiates recordings of a composition, it is often the artist which determines record choice.

^{1/} Dual distribution, v. 5, pp. 1137, 1138.

The artist's importance is enhanced by promotion to make him a star and by emphasis on the artist in advertising new releases. Talent hunting is a vital function of any record company, and contracts with well-established artists are highly valued assets.

Another competitive weapon of record companies is the use of promotion and distribution channels. With short record life and unpredictable public fancy, it is important to get the jump on competitors through advertising new releases and through fast nationwide distribution.

A third competitive weapon is the recording of a number of different compositions. Although it is to be expected that the large firms will offer more record titles, the extensiveness of recording may be attributed in part to the competitive conditions facing each firm. Unpredictable demand and short record life encourage firms to record new compositions in the hope that they will not lose out to competitors on a potential new hit. With a catalog of many records, there is a greater chance that one will be a hit. In the classical field as well, there are many duplicated recordings. Firms put out new releases of old titles in order to record new orchestras and employ new techniques before their competitors do so. As a result, many recordings are produced for which there turns out to be little demand.

Overproduction of particular titles coupled with short record life and the complex highly competitive marketing structure make pricing an important competitive weapon. The various price incentives for promoting new products and disposing of surplus goods have been discussed above in the section "Pricing and marketing."^{1/}

^{1/} Dual distribution, v. 5, p. 1138; Ericson, Raymond. "Holding its own," New York Times, March 12, 1961, p. XII; Hammill, pp. 148, 150.

The record industry is thus in many ways a paradox. Sales have increased dramatically, but, in the popular field, demand is often centered on a few record titles while other records are overproduced. Thus, a company's sales may not be reflected in its income, for sales based on one or two hits bring a greater return than the same sales volume based on sales of a number of different records.^{1/} Although the industry is easy to enter and a newcomer may make fantastic profits through a record hit, it is also a highly competitive and risky business. David Kapp, president of Kapp Records, has referred to the record industry's financial state as a "profitless prosperity".^{2/} Nevertheless, for the major companies, record production has been a profitable field.^{3/}

^{1/} Hamill, pp. 148, 149.

^{2/} Chase, Sam. "Convention spotlight on pricing picture," p. 10.

^{3/} Cobleigh, p. 168; Standard & Poor's industry surveys, p. A 80.

Conclusion

Music is the creative product of songwriters who write lyrics and compose music, and of performing artists who interpret these compositions through instrument and voice. The phonograph record is a means of communication between these musicians and an audience. It serves a cultural purpose, preserving musical performances, whether given in studios or before live audiences, for those who are separated from this playing by distance or in time, and who, through this physical product, may repeatedly listen to the music. Thus, the phonograph record is a curious blending of the creative and the material, and it is these two elements, plus the compulsory licensing required by statute, which are major determinants of the economic character of the phonograph record industry.

The phonograph record is a material, manufactured good. Some records are seven inch 45 rpm discs, while others are twelve inch 33 1/3 rpm LP's. Most are monaural recordings; others are stereophonic records. However, with the exception of these distinctions and other technological differences related to the quality or emphasis in recording, all records are physically much the same. Although there is an almost endless variety in the sounds recorded on phonograph records, the disc itself is largely a homogeneous product.

This material nature of the phonograph record has had an important impact on the industry. Since the pressing of records involves essentially the same process for all recordings, mass production processes are used. Once a master record is made, the cost of pressing is low. Firms do not have to invest in their own production facilities, but may use industry pressing plants. Low production costs contribute to the

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^{3/} Cobleigh, p. 168; Standard & Poor's industry surveys, p. A 80.

record industry's high ease of entry, to the proliferation of small firms in the industry, and to the resulting competition. The physical similarity of all records simplifies the distribution process and reduces distribution costs. In addition, the low cost and, therefore, low price of this leisure time item has resulted in a broad record market, with most consumers in this mass market buying more than one record.

The creative nature of the phonograph record also has widespread implications. In contrast to other industries where engineering innovations cause product differentiation, it is creative innovation, apart from the manufacturing process, which here results in new products. Two different groups of musicians are needed--the songwriters (authors and composers) and the performing artists. In addition to these two professional groups, the creative nature of the phonograph record places this industry within the music business. Musical compositions, whether intended for recording or other uses, are published by the music publisher, and it is this publisher who furnishes the manufacturers with their raw material. Musical compositions are often originally created for movies, television, musical shows, and concert performances, and thus these sources of new compositions are related to the record industry. Likewise, the record manufacturer promotes his product through use of other performing media, the radio and the juke box. Thus, the creative, musical aspect of the record industry is largely responsible for its complex production structure.

In addition, it is the differentiation of phonograph records by the songwriter and the recording artist which fulfills the differing tastes of consumers. Different titles are different products, and consumers

generally want recordings of several compositions. Different types of records appeal to and result in different markets. Demand generally is concentrated on particular titles--bringing high profits on some records and overproduction and price cutting on others. The changing musical taste of teenagers as a group contributes to short record life and the riskiness of this business. Thus, the economic character of the record industry is affected in many ways by its creative nature--by musical talents and tastes.

A third major determinant of conditions in the record industry in addition to its material and creative elements is the statutory requirement of compulsory licensing. The availability of musical compositions for recording to all who pay the mechanical royalties has affected the record industry since its inception as a market force. In the first place, it has largely eliminated competition for composition recording rights since they are openly available. Competition in the record industry has instead focused on such other elements as the recording artist, promotion, and pricing. Likewise, there is no possibility of gaining monopolistic power through control of compositions. Entry into the industry is easier since even the newest, smallest firm has access to copyrighted compositions. Conversely, large companies with extensive artist rosters and financial resources may release recordings of compositions popularized by small firms. Although there are some differences in the mechanical royalties paid, authors and composers generally receive a set royalty rather than one established by market conditions. Both the relative bargaining strength of the music publisher and the record company and the interownership now prevalent in the industry would be more significant if there were no compulsory licens-

ing. Compulsory licensing gives the public a choice between different versions of the same composition. Its effect of record life, on song life, and on the royalties received by songwriters and publishers has been the subject of much controversy.

Given these basic characteristics of the record industry, there are certain economic trends which have emerged in recent years. These trends, more or less pronounced and significant, may be grouped in five categories.

In the first place, the record industry has been a growing industry. As described in the section "Demand-supply conditions," there has been a remarkable increase in record sales and attractive profit possibilities. Nevertheless, record demand is selective and volatile, and the industry is a risky one for firms offering only a limited number of recordings.

Secondly, with respect to concentration, there is much less domination by Columbia, RCA Victor, Capitol, and Decca today than there was in the early 1940's. Nevertheless, these firms have maintained their leadership and the first three generally hold the top positions in all market areas. A number of other companies have reached impressive size and present a significant challenge to the 'big three.' Interownership between record manufacturers and companies engaged in music publishing, film producing, and broadcasting continues. Despite the market position of the larger companies, innumerable small firms are in the market and competition is high.

A third general trend has been the increasing differentiation of the phonograph record to supply separate, but overlapping markets.

Technical development of the 33 1/3 rpm and 45 rpm speeds and stereophonic sound have caused some of this heterogeneity, while the development of new record outlets and new price lines have furthered the distinctions. Thus, the two-speed market has continued, with each speed serving a different audience. In recent years, unit sales of LP's have approached those of singles, and LP's far exceed singles in dollar sales. Music of all types is available on records, but industry attention seems centered on the mass market comprised of teenage singles and popular LP's. Compositions are often available in different versions, but there is some indication that there is less multiple recording of popular songs.

In the fourth category, the marketing structure, new retail outlets have developed. While the record dealer has declined in relative importance, records now reach the mass market through racks in supermarkets, drug stores, and chain stores, and through record clubs and mail order packages. A new marketing level, the subdistributor, has been created to provide the specialized functions of serving record racks and juke boxes. Recently, however, there would seem to be a blurring of these functional levels with a movement toward integration within the market structure.

Finally, there has been a trend toward low prices. LP list prices were cut to \$3.98 in 1955, and many standard LP's still retail at this list level. New economy and budget LP lines have been introduced. In addition, discounts and record deals have been prevalent in the industry's vigorous and sometimes chaotic price competition. However, the recent record company movement toward more con-

servative pricing policies and the Federal Government's new trade practice rules should bring greater price stability.

Thus, the phonograph record industry of the mid 1960's is one of the economy's most interesting phenomena. Blending the creative with the material, sheet music with the juke box, the 'big three' giant with the one-record newcomer, concentration with competition, the chamber music record with the latest twist disc, the specialized dealer with the drug store rack, rising demand with high risks, and musical enjoyment with dollar sales, the industry is a remarkably viable and dynamic part of our culture and our economy.

Appendix

Title 17, Section 1 of the United States Code

Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

* * *

(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: Provided, That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically the musical work, shall include only compositions published and copyrighted after July 1, 1909, and shall not include the works of a foreign author or composer unless the foreign state or nation of which such author or composer is a citizen or subject grants, either by treaty, convention, agreement, or law, to citizens of the United States similar rights. And as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on the number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to reproduce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable

counsel fee, and the court may, in its discretion, enter judgement therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount.

The reproduction or rendition of a musical composition by or upon coin-operated machines shall not be deemed a public performance for profit unless a fee is charged for admission to the place where such reproduction or rendition occurs.